

the
Freeman
Ideas on Liberty

JULY 1985

**Comparable
Worth**



ANNUAL MEETING

The Fortieth Annual Meeting of the Board of Trustees of the Foundation for Economic Education was held in Irvington, May 14, 1985.

Among other actions taken was the election as Chairman of the Board of **Dr. Bruce M. Evans**, Vice-President of Abilene Christian University. **Mr. Robert D. Love**, President of Love Box Company of Wichita, was elected President of FEE. Also elected to the Board for a three-year term was **Dr. Dominick T. Armentano**, Professor of Economics at the University of Hartford.

the Freeman

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Legalized Plunder

WHAT are we to think of those who have a libertarian bent, of those who pay lip service to the free society, and then go on to assert, "We're paying for it, so we might as well get our share." What sincerity or depth can be ascribed to their lip service? Do not actions speak louder than words? By their actions, are they not, most effectively, giving support to the socialistic design? Endorsing the Welfare State?

Frederic Bastiat writing in France in 1850, referred quite accurately to the above behavior as *legal plunder*, and explained in simple terms how to identify it: "*See if the law takes from some persons what belongs to them, and gives it to other persons to whom it does not belong. See if the law benefits one citizen at the expense of another by doing what the citizen himself cannot do without committing a crime.*"

No individual with libertarian pretensions can, in good conscience, advocate legal plunder. What, then, should be his position? He has only one way to turn. Bastiat, the libertarian teacher, was again helpful: "*Then abolish this law without delay, for it is not only an evil itself, but also it is a fertile source for further evils because it invites reprisals. If such a law—which may be an isolated case—is not abolished immediately, it will spread, multiply, and develop into a system.*"



—Leonard E. Read

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John K. Williams

Pandora and Hope



MOST OF US as children listened to and delighted in the Greek myth of Pandora's box. The story really begins with the god Prometheus, who defied Zeus by giving humanity the gift of fire, a gift which enabled human beings to become creators, refining metals and transforming the face of earth. To punish Prometheus and to restore human beings to their appropriate place in the scheme of things, Zeus instructed his son Hephaestus, god of fire and thus a particularly skilled craftsman, to make a woman whose name, Pandora, signified her nature. The name means "all gifts," and to ensure that she *did* possess all possible beauties and charms, Hephaestus called upon all the gods to assist him in her creation.

The Reverend Doctor John K. Williams has been a teacher and currently does free-lance writing and lecturing from his base in North Melbourne, Victoria, Australia.

Her creation completed, Pandora took her place upon earth with other human beings. She possessed, however, a box which the gods had given her. In no circumstances was she to open that box. Needless to say, Pandora's curiosity got the better of her, and she opened it. Out from the box leapt all the evils that, ever since, have tormented and frustrated humanity. Pandora slammed down the lid, but it was too late, the box's inhabitants having been unleashed and being beyond recall. All, that is, save one. A small, plaintive voice pleaded with Pandora to open the box once more and to free this solitary, remaining occupant. Pandora relented. She opened the box and out stepped the final occupant. And the name of this occupant was Hope.

As a child, I thoroughly enjoyed the story. It was exciting, magical, and—from the viewpoint of a little boy

with three sisters—desirably sexist. I particularly enjoyed the happy ending: evils abounded, but Hope also walked the world. Strengthened by Hope, human beings could do battle with ignorance and folly and create a better world.

And that goes to show that what we get from a story depends in no small part upon what we bring to a story. I brought to the story a presupposition deriving from the religion of Israel and of Jesus. The presupposition, shared by many people who claim to have severed all their links to the Judaeo-Christian heritage, is that hope is a virtue to be admired and an attitude to be cultivated. Given that presupposition, the intended meaning of the ancient myth is almost certainly missed. Pandora is, if you like, the original dizzy blond. She may possess all charms and beauties, but she's not very bright. She opens the box. Disaster results. Disease, earthquake, and suffering of all forms become part of human existence. But does Pandora learn? Not at all! All it takes to make her open the box again is a wistful little voice asking her to do so. The silly girl thus releases the last occupant of the box, the final *evil* named Hope.

The ancient Greeks were essentially a life-affirming, life-loving people. One cannot miss this in the comedies of Aristophanes: bawdy, down-to-earth plays displaying sheer

delight in the world. One cannot miss the enthusiasm and joy in creativity that expressed itself in Greek architecture and sculpture. Yet accompanying this love of life and enjoyment of the fair earth, went a sad and somber melody. The Golden Age lies in the past. Human history is the story of a slow but inexorable decline from the heights. The end of the story, fixed and unalterable, is the destruction of civilization and the victory of barbarism. This terrible future must be accepted with resignation. The danger that human beings might escape their fate by exercising the creativity Prometheus gave them, has been averted by Zeus through Pandora's releasing all manner of evil on earth.

The Final Evil

And the last evil, the final evil, is hope. This is the evil people cling to, the most difficult evil to conquer. Hope is the desperate attempt to deny the inevitable. It is a delusion veiling the grim truth, an opiate dulling a mind that cannot face the worst, a fantasy hiding reality. People afflicted by hope exercise their creativity not for the right reason, which is to express in the present a waning capacity that in the future will cease to be, but as a futile attempt to improve the world and fashion a better future.

I underscore that it would be unjust to depict the ancient Greeks as

morose pessimists. They enjoyed the present, and created works of literature and philosophy and art that the world has ever since admired. Yet a sad song accompanied their deeds. Perhaps that song finds its most obvious expression in the final words of Sophocles' immortal tragedy, *Oedipus Rex*:

Sons and daughters of Thebes, behold:
this was Oedipus,
Greatest of men; he held the key to the
deepest mysteries;
Was envied by all his fellow-men for his
great prosperity;
Behold, what a full tide of misfortune
swept over his head.
Then learn that mortal man must always
look to his ending,
And none can be called happy until that
day when he carries
His happiness down to the grave in
peace.¹

That is one view of hope: The final evil which only the wisest of human beings avoid.

Another Point of View

There is, however, another view of hope, a view affirming that it is entirely appropriate that men and women should look ahead not with resignation but with joyous anticipation. The future is not inexorably fixed—indeed, there is no such thing as *the* future. Rather, there is, in the words of Eric Trost, a range of possible futures. “Which of the possibilities will be realized depends not

a little on the choices we make—which, in turn, depend on our values—and also on our taking an active rather than a passive role. The paradox is that, because the future is not determined, one has to make choices.”²

This viewpoint, affirming that humanity's earthly existence is not tied to a fixed and fated future, is essentially derived from the Judaeo-Christian religious heritage. It finds expression in these words from the book of *Deuteronomy*: “I have set before you life and death, blessing and curse; therefore, choose life, that you and your children may live.”³ Which of many possible earthly futures shall be depends upon the decisions men and women make. Pessimism is precluded: people *can* “choose life.” Optimism, however, is also precluded: people *can* choose death.

Later writers elaborated the theme. Should human beings “choose life” a great and glorious possible earthly future could become a reality. Seers dreamed of a day when “every man shall sit . . . under his own fig tree, and none shall make them afraid,”⁴ a day when “the wilderness and the solitary place shall be made glad, and the desert shall rejoice; it shall blossom abundantly and rejoice even with joy and singing.”⁵ Human existence is pregnant with possibilities either for good or for evil. People *can* choose the way of life and of blessing. An earthly fu-

ture that is better than the present *can* be realized. Hope is therefore justified.

I have long enjoyed a love affair with the glory that was Greece. Yet to the question, "Is hope an evil to be fought or a good to be embraced?" I side with Jerusalem, not with Athens. To be sure, there are illusory hopes that will and must die, but hope itself is to be embraced and affirmed. A better world—a world more prosperous and more deeply committed to liberty than is the present world—is possible. Not inevitable, but possible. And whether that possibility becomes reality depends, in part, upon the "choices we make . . . and our taking an active rather than a passive role."⁶

A Hopeful Beginning

The history of your nation began with people who hoped. Your forefathers set out, like Abraham of old, not really knowing "whither [they] went," but the possibility of a better world was there, and in the hope of it brave souls ventured. So they went on, sometimes faltering, sometimes obstructed, often disappointed, often frustrated, but they went on. Their hope was in a possibility, and in their own deeds and their power to do them. Thanks to them, and the hope that burned in them, a new nation was born, a nation "conceived in liberty." In very truth, the desert began to "blossom abundantly," and hith-

erto unimagined prosperity graced the earth.

A story is told of a mischievous boy who sought to make a fool out of an old man highly regarded for his wisdom. The boy devised a plan. He would capture a small bird, cup it in his hands, and ask the old man whether the bird was alive or dead. If the old man said that the bird was dead, the boy would open his hands and let the bird flutter to its freedom. If the old man said that the bird was alive, the boy would squeeze all life from the tiny creature and open his hands to reveal the poor dead thing he held. So he caught a small bird and held it in his cupped hands and asked his question of the old man. "Old man, they say you are wise. So tell me: in my hands is a bird—is it alive or is it dead?" The old man looked at the boy in silence for what seemed an eternity. Finally, he spoke. "My child," he said, "the life of that bird is in your hands."

Our Civilization Can Be Conserved and Enriched

So, I believe, with the many possible futures for this planet. They are not totally in our hands and subject to our choices, no, but they are very largely so. Which one of them becomes reality depends in no small part upon us. The liberties we cherish *can* be preserved and extended. The prosperity we enjoy *can* be consolidated and increased. The civili-

zation we know *can* be conserved and enriched, and passed on to our children and our children's children. Or so I believe.

That belief is modest. It is not optimism, for I believe not in the inevitability of progress but merely in the possibility of progress. Yet neither is it pessimism, asserting that hope for a better world is folly. Liberty, prosperity, and civilization *can* be victoriously defended against their enemies and, indeed, strengthened and increased. Can be. That is all, but it is enough. Hope is justified.

Incidentally, do you know the definition of optimism and pessimism? James Branch Cabell informs us that "the optimist proclaims that we live in the best of all possible worlds; the pessimist fears this is true." I suppose that if I had to choose between the philosophy of the optimist and that of the pessimist, I'd choose optimism—after all, as has been pointed out, many an optimist has become rich simply by buying out a pessimist! Fortunately, however, I do *not* have to choose. A third option is available: the modest option of hope. It is that option that I advocate.

The Attack on Hope

The option of hope is today under fire. The sad melody that haunted ancient Greece has become, in our world, a cacophony of sound. Shrill voices noisily proclaim the death of hope. Our planet is on the verge of

running out of resources and room. The vision of a world of plenty must be supplanted by a blueprint for a world of enforced austerity. Human liberty is a luxury humanity can ill afford. The free market in a free society has had its day. The only choice people have is a choice between this gloomy future or no future whatsoever. Or so the contemporary prophets of pessimism assert.

Adding insult to injury, those who would rob us of hope for a better future are joined by men and women who would take away any pride we may have in our past. There is, they assert, nothing in our Western heritage meriting admiration or worthy of praise. Developed nations enjoy the prosperity that is theirs simply because they have ruthlessly exploited and still exploit developing nations. Hopelessness and guilt are thus the appropriate attitudes for the children of Western nations to adopt.

A Gloomy Future

There can be no doubt that many young people are profoundly affected by this philosophy of hopelessness and guilt. A recent study of Australian school-children's attitude to the future revealed that the majority of these children envisage their future in terms of "devastation and doom," or of a return to "primitive lifestyles." The author of the report, Noel Wilson, turns at the end of his study from figures and charts, and

becomes almost a poet. "My little girl," he writes, "is six years old. She builds a castle of wooden blocks, and smiles. She knocks them down. And laughs."⁸ In a foreword to Herbert London's *Why Are They Lying to Our Children?*⁹ Herman Kahn asks, in all seriousness, whether the dramatic rise in the teenage suicide rate in developed nations during recent years, might be in no small part a function of the hopelessness and guilt the purveyors of pessimism advocate.

It is, I submit, difficult to overstate the seriousness of the situation. If it be true, in the words of Eric Trost previously cited, that which of the many possible futures for humanity is realized depends upon present choices made and the decision to take "an active rather than a passive role," present attitudes and beliefs play a crucial role in the creation of future history. It may well be that a vision of inevitable doom and gloom will itself lead to the very apocalypse it depicts. If liberty is destined to die, why cherish and seek to further it? If prosperity can be no more, why attempt to act in ways which create prosperity? Why resist what is fated to be?

Two crucial tasks thus face the lover of liberty. Two questions must be asked and answered. *First*, do those who assert that the only possible future for this planet is one of enforced austerity make out their

case? Is their evidence adequate and their argumentation valid? *Second*, if their evidence and their arguments do *not* justify the conclusions they reach, then how is their influence to be curbed and their vision to be challenged? I can think of few more important questions those of us who hold to hope and are committed to liberty can consider.

The Limits to Growth

In 1968 a best-selling book penned by Paul R. Ehrlich numbed a sadly uncritical world. In 1971 this volume, *The Population Bomb*,¹⁰ was joined by Jay W. Forrester's influential *World Dynamics*.¹¹ Then came a plethora of books elaborating the theme played by Ehrlich and Forrester, the most significant of these being the Club of Rome's report, *The Limits to Growth*¹² and the three volume *Global 2000 Report to the President*.¹³ The message proclaimed was clear. Economic growth, once hailed as humanity's benefactor, has become a monster threatening human survival. Resources are on the brink of utter depletion. An already overcrowded planet is moving, like the fated hero of a Greek tragedy, toward utter disaster, too many people desperately attempting to occupy and wrest a living from too little space.

The authors of books and reports enshrining this point of view enjoy at least three advantages over their critics. *First*, human beings not in-

frequently display a perverse *liking* for bad news. A story is told of an elderly lady who attended one Sunday an unfamiliar church. The preacher spoke of the goodness and the mercy of God, and of the hope God proffers the human spirit. After the service, the lady tearfully berated the preacher. "You," she said, "have taken away my total depravity and taken away my eternal damnation, so what have I left to bring me joy?" Precisely what this propensity to welcome bad news indicates I leave for psychologists to determine. Maybe more people are characterized by a masochistic streak that says "No" to joy and to delight than most of us realize.

Second, the purveyors of pessimism enjoy the advantage that, unlike their critics, they cannot be accused of wishful thinking. Inasmuch as no rational person would want to believe what the advocates of limits to growth do believe, these people must have utterly compelling grounds for their convictions. Their critics, clearly, are faint-hearted souls unable to face grim reality.

Now certainly wishful thinking is a danger against which rational people must be on their guard. Yet the suggestion that the bearers of bad tidings must have carefully checked the grounds upon which they base their beliefs, is false. Human history is littered with the graves of men and women who confidently, albeit some-

times sadly, predicted impending disaster, but who proved to be madly in error, the bases of their gloomy beliefs being without any substance whatsoever.

Third, the authors of the books being considered in some cases communed with a computer when sorting and analyzing their data. That simple fact mightily impresses not a few gullible readers. It would seem that, for many people today, the only more convincing phrase than "surveys have shown" or "studies have indicated" is "a computer has said."

Such people would do well to meditate upon an acronym widely cited by computer-buffs: GIGO. The acronym signifies simply, "Garbage in—garbage out." Any person dubious as to whether GIGO explains the computer-based Club of Rome report, would do well to read an admirable essay by Christopher Freeman, "Malthus With a Computer."¹⁴ Should this essay fail completely to exorcise the demon of misplaced veneration, I recommend the following words of the socialist economist Gunnar Myrdal, who can hardly be accused of wishful thinking generated by enthusiasm for economic liberty. "[The] use of mathematical equations and a huge computer which registers the alternatives of abstractly conceived policies by 'a world simulation model,' may impress the innocent general public but has little, if any, scientific validity.

That this 'sort of model is actually a new tool for mankind' is unfortunately not true. It represents quasi-learnedness of a type that we have, for a long time, had too much of, not least in economics. . . ."¹⁵

In this context it is appropriate to note that the Club of Rome, after some 4 million copies of *The Limits to Growth* had been sold, announced that the report was deliberately inaccurate, and that the Club had known all the time what every competent reviewer of the book had said—namely, that the programming of and data fed into their computer grossly distorted reality. *Time* magazine carried the following report of what, surely, is a quite staggering admission: "The Club's founder . . . says that *Limits* was intended to jolt people from the comfortable idea that present growth trends could continue indefinitely. That done, he says, the Club could then seek ways to close the widening gap between rich and poor nations—inequities which, if they continue, could all too easily lead to famine, pollution, and war. The Club's startling shift, Peccei says, is thus not so much a turnabout as part of an evolving strategy."¹⁶

Julian L. Simon is surely justified in thus paraphrasing this extraordinary statement: "In other words, the Club of Rome sponsored and disseminated untruths in an attempt to scare us. Having scared many people

with these lies, the club can now tell the *real* truth."¹⁷ Lies, albeit processed by a computer, remain lies.

Science and Pseudo-Science

The sad phenomenon of men and women enjoying scientific expertise, yet prostituting that expertise for political or social causes, is not without precedent. The sad story of men and women, trained in the sciences, who by order of Stalin manufactured "evidence" for the utterly erroneous beliefs of the pseudo-geneticist Trofim D. Lysenko¹⁸ is a case in point. Indeed the Soviet dissident Mark Popovsky documents the ongoing tension confronting scientists in the USSR between their disciplines' demand for truthfulness and their government's desire for particular conclusions.¹⁹ One hesitates to call men and women enjoying scientific expertise "scientists" when they falsify their data to fit preconceived theories rather than seek out evidence to determine whether or not certain theories hold. They are more appropriately called "ex-scientists" or "pseudo-scientists."

Now the primary advantage critics of the limits-to-growth movement enjoy over advocates of this position is that *the overwhelming consensus of informed, scientific opinion is on the side of the critics*. Men and women enjoying scientific expertise who advocate limits to growth are an *eccentric*, in the literal meaning of

that word, minority. Their numbers are few and their conclusions at variance with those reached by the vast majority of trained scientists.

Unfortunately, serious scientists tend to avoid the public arena, their writings almost invariably appearing in professional journals read almost exclusively by their fellow-scientists. As a consequence, the popular writings and public statements of eccentric scientists and "pseudo-scientists" tend to go unchallenged. Lay people assume, trustingly but erroneously, that these conclusions either represent the consensus of informed, scientific opinion or constitute a reputable, albeit controversial, viewpoint keenly debated within informed, scientific circles. Certainly, young people in our schools so believe. It would be surprising if they did not. For their textbooks typically present as incontrovertible fact the highly dubious conclusions of the limits-to-growth movement.

The Resourceful Earth

At long last, however, serious scientists have acted to correct a scandalous misrepresentation of the truth. Twenty-eight men and women of standing within the scientific community took it upon themselves to prepare essays representative of the present scientific consensus on the issues discussed by advocates of the limits-to-growth position. Edited

by Julian L. Simon and Herman Kahn, the collection of essays, entitled *The Resourceful Earth: A Response to "Global 2000"*,²⁰ is "must" reading for all lovers of truth and lovers of liberty.

Consider simply the following statements, taken from the executive summary of the essays contained in the volume:²¹

- "Life expectancy has been rising rapidly throughout the world, a sign of demographic, scientific, and economic success." An examination of the essays documenting this assertion reveals that no misleading global aggregates have been used. Life expectancy is increasing in developing, as well as in developed, nations.
- "The birth rate in less developed countries has been falling substantially during the past two decades, from 2.2 percent yearly in 1964-5 to 1.75 percent in 1982-3."
- "Many people are still hungry, but the food supply has been improving since at least World War II, as measured by grain prices, production *per* consumer, and the famine death rate."
- "Land availability will not increasingly constrain world agriculture in coming decades."
- "Mineral resources are becoming less scarce rather than more scarce, affront to common sense though that may be."

These are but five of seventeen conclusions listed as the executive summary of *The Resourceful Earth*. Each statement is totally at variance with claims made by men and women advocating the limits-to-growth movement. It is underscored that the conclusions reached by the contributors to *The Resourceful Earth* cannot, in any significant sense, be described as "controversial": they represent the overwhelming consensus on the issues in question obtaining in informed, scientific circles. Returning to the limits-to-growth literature after studying the essays in this volume is a distressing experience, even overlooking the sleazy confidence-trick perpetrated by the Club of Rome. One moves from a world of measured conclusions, precise data, and logical analysis to a world of shrieked assertions, impressionistic data, and tortuous logic.

Trends Are Improving

"We do not say," assert the volume's authors, "that all is well everywhere, and we do not predict that all will be rosy in the future. Children are hungry and sick; people live out lives of physical or intellectual poverty, and lack of opportunity; war or some new pollution may do us in. *The Resourceful Earth* does show that for most relevant matters we have examined . . . trends are improving rather than de-

teriorating. . . . [W]e do not say that a better future happens *automatically* or *without effort*. It will happen because men and women . . . will address problems with muscle and mind, and will *probably* overcome, as has been usual throughout history."²² Simply, hope is both possible and rational.

The editors further suggest that readers examine for themselves the professional stature of the contributors to the volume, and do the same with the staff of persons listed in *Global 2000*. To the best of my ability I have done so, and while communing with *Who's Who in American Science* simultaneously checked out the credentials of other contributors to the limits-to-growth literature. Suffice to say that so doing made me resent the fact that, some years ago, I took the limits-to-growth movement as a serious, scientifically grounded movement. I now perceive it as an eccentric movement largely drawing its scientific support from pseudo-scientists. I only take it seriously *in the sense* that advocates of a limits-to-growth mentality are extremely able publicists who have managed to breed despair in young people yearning for hope and entitled to joy.

Conceptual Confusion

The purveyors of pessimism mangle language, the most elementary of conceptual distinctions eluding

them. Typically, they do not care to note that all economic goods are, by definition, scarce, or distinguish between a good's scarcity and a shortage of that good.

It is not even clear what supporters of the limits-to-growth movement mean by a *resource*. Oil once was not a resource at all, being merely a useless black substance. When in biblical days some people discovered it could be used in the manufacture of perfume and ink, it became a marginally useful resource. Only in the nineteenth century did it become an extremely useful resource, human ingenuity having discovered a new use to which oil could be put. Anthracite coal only became a resource when, in 1809, an American discovered how to ignite it.

Now, if a *resource* involves a hidden reference to human desires and human technology, attempts to measure a resource face problems. Consider oil. Available reserves of oil were minimal until an American dug the first oil well in 1859. Inasmuch as it is technologically possible to transform tar sand and shale rock to oil, should the actually or possibly obtainable reserves of tar sand and shale rock be included in an attempt to calculate actually or possibly obtainable reserves of oil? Soybeans similarly can be turned into oil. Do they count?

Millennia ago the Iberians de-

clared that the Rio Tinto mines in Spain were exhausted. They could extract no more copper, silver or gold from them. The superior technological skills of the Romans witnessed the reopening of these mines and a great deal of successful mining. When their technological skills had gone as far as they could, the mines yet again were perceived as exhausted. The process was repeated again and again. The discoveries of the "leaching" process, the "roasting" process, and the "flotation" process at different times transformed the exhausted Rio Tinto mines into anything but exhausted mines. Since in this *obvious* sense attempts to specify "available resources" must refer to available technologies, should not technologies transforming one substance into another similarly be referred to?

More subtly, a resource becomes "less scarce" when a new way to perform a given task is discovered. Vast quantities of copper were once required if the inhabitants of one country were to speak to inhabitants of another country, thousands of miles of cable being needed if such were to be done. Space satellites now serve for this purpose. Economically speaking, copper today is *less* scarce than it was two decades ago.

Simply, in any humanly significant sense, resources are no more limited than is what Julian L. Simon calls humanity's "ultimate re-

source"—the human imagination. Perhaps one should add that resources are similarly no more limited than is people's liberty to exercise their imaginations.

The Price System of the Free Market

Not surprisingly, the vital role of changing relative money prices in a free market economy in conserving resources and creating resources finds no mention in the limits-to-growth literature.

As, for whatever reason, a given resource becomes relatively scarcer, the price of that resource relative to the price of other resources increases. This in itself conserves the resource. A consumer notes that the price of a particular sort of fish has soared. He purchases and consumes another sort of fish. It is almost as simple as that.

But only "almost." Fishermen, noting that the price of, say, tuna has increased busily seek out more tuna fish, hoping to improve their situation—i.e., increase their income. They *know what to do* if they are to improve their situation and have a strong incentive to do just that. Maybe an imaginative entrepreneur devises a way to farm tuna, or creates a powder which makes other forms of fish taste like tuna. In this way, changing relative money prices in a free market, in addition to conserving a resource as its scarcity in-

creases relative to other resources, indicate how people can best employ their efforts so as to *increase* the availability of the resource.

Again, the free market in a free society, which rests firmly upon precisely defined and efficiently enforced private property rights, encourages the owners of some resource to consider long-term benefits, not simply short-term gains. Suppose I own a farm. I want the land I control to provide me and my chosen successors with a living tomorrow as well as today. I thus have every incentive to avoid practices which improve my situation in the immediate present but jeopardize my future well-being and that of my children. Compare, however, the pressures upon people whose ownership, and hence control, of a farm is politically determined. Short-sighted practices which please the electorate become extremely tempting. Simply, it is the political controller, anxious to satisfy the desires of voters or the Party, who is likely to ravage and run, *not* the private owner. Indeed, the private owner is loathe even to cut down the beautiful oak tree his great, great grandfather planted, and diligently seeks out a way to conserve the tree without substantially reducing his income.

In sum, the consensus of informed scientific opinion, a little thought about the nature of resources, and a

consideration of the truly wondrous role of the free market in a free society in conserving and creating resources, make nonsense of the claims of the limits-to-growth advocates.

What Are We to Do?

I return, however, to my opening remarks. In the absence of hope—in the absence of a rational belief that the world tomorrow can be more joyous, more prosperous, more committed to liberty than is the world today—people are unlikely to make the choices or play the active role which transform a real possibility into an exciting reality. Hopelessness, alas, is endemic, the purveyors of pessimism having carried out their miserable work all too well. Yet, most certainly all is not lost.

First, at least a person without hope does not entertain illusory hope. Within living memory, the collectivists and statists were overdosing on hope. Read, for example, Paul Hollander's volume, *Political Pilgrims*.²³ It tells the amazing story of Western intellectuals who returned from visits to totalitarian, collectivist states with glowing eyes. When Stalin was ruthlessly starving multitudes to death, these gullible "political pilgrims" spoke of radiant faces, joyous harvest songs, and the birth of "real" freedom. Socialism was feeding the hungry, clothing the naked, sheltering the destitute. Illusory hope once ran high.

But no more. The tired old routine of exciting reports, mounting evidence, desperate denials, improbable alibis, admissions of error, and discoveries of a *new* socialist utopia, fails to convince anymore. Many young minds may be devoid of hope. At least, however, barren soil is not choked with weeds that must be cleared before the seeds of liberty can be sown.

Second, the case for the free market in the free society has, so to speak, "novelty value." It is not that this case has been heard, assessed, and rejected. *It hasn't been heard*. Caricatures of economic and political liberty certainly abound, but the true picture does not, shall we say, suffer from overexposure in the media or in our schools. We at least are spared the tired yawns of those who have "heard it all before."

In parentheses, I note that a major problem in communicating the case for economic and political liberty to the young is, ironically, the very material prosperity these realities have enabled them to enjoy. How does one convince the children of plenty that the vast majority of human beings who have walked this earth have known only destitution, and that the abnormal situation crying out for explanation is not destitution, but prosperity? Certainly, until anyone is convinced that a phenomenon is sufficiently puzzling to warrant investigation, explanations of the phe-

nomenon are unlikely to elicit much interest.

A more serious problem is, of course, the warped syllabuses and texts so endemic in our schools. While I hold firmly to the view that this problem is generated ultimately by state control of schooling, and that the only "solution" to the problem is a separation of school and state that is as sacrosanct as the separation of church and state, advice proffered by Herbert London in the final paragraph of *Why Are They Lying To Our Children?* merits thoughtful consideration: "We let facile statements substitute for hard analysis, and we let undocumented, inflammatory rhetoric find its way into our [schools'] texts. For these bad judgments we will pay a price in uneducated youths. Because schools are local institutions subject to parental influence, much can be accomplished *when there is the will to do so*. . . . The application of common sense standards of 'fair play' and 'balanced argument' will go a long way toward correcting the lies our students are routinely taught."

The Vision of Greatness

I would go one step further. The philosopher A. N. Whitehead once observed that a primary task of educators is to bring before the growing mind "the habitual vision of greatness." It is not enough that our young people are not subjected to the

pseudo-science, the economic illiteracy, and the pathological self-hatred cursing the purveyors of pessimism. It is not enough that they learn of the solid ground that exists for asserting that humanity's world tomorrow can be more prosperous, more peaceful, and more committed to liberty than is humanity's world today. It is not enough that they hear the compelling case that exists for the free market in the free society.

They need also to be inspired by a vision and excited by a dream. They need to sense and feel the greatness of the human species' long and slow struggle to achieve liberty. They need to sense and feel what liberty is: the power of it, the joy of it, the song of it, the sacredness of it.

And that brings me to my third and final ground for holding that our case is anything but lost. A disoriented minority may, in recent years, have been allowed to call the tune. But the decencies are alive and well in this world and in this nation. Ordinary men and women are growing tired of seeing the light in their children's eyes fade and witnessing joy and hope and vitality and enthusiasm crushed out of their children. These men and women are ready to hear what the freedom philosophy has to say and, I believe, are anxious to hear it. And there are those—not least the men and women connected with The Foundation for Economic Education—more than able to artic-

ulate that philosophy and inspire their hearers by it.

Admittedly, there is no certainty of victory. Yet there is every reason to believe that victory *can* be ours. Our confidence need never be less than our own willingness to labor and to toil for what we know is right and true.

A willingness to labor on. This we can reach if we care enough, and therein is our victory. The life of humanity is precarious and frail: a handful of dust and a breath of hope. Yet though that dust is of the earth, the hope that burns in the human spirit is of God. And nothing can forever extinguish that spirit and the hope that is within it. ☸

—FOOTNOTES—

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Ludwig von Mises

IDEAS ON



LIBERTY

PRODUCTION is a spiritual, intellectual, and ideological phenomenon. It is the method that man, directed by reason, employs for the best possible removal of uneasiness. What distinguishes our conditions from those of our ancestors who lived one thousand or twenty thousand years ago is not something material, but something spiritual. The material changes are the outcome of the spiritual changes.



Compulsive Bargaining Reviewed

CONGRESS passed the Wagner Act in 1935 with great hope that it would give employees job security and bring industrial peace on the labor-management front. Even though the results have been vastly different from the intentions, there has been no serious public examination of the premises which give justification to this law or the 1947 Taft-Hartley amendments.

The idea that compulsory collective bargaining is beneficial to employees and the public is still accepted without question by most people and is still being taught in our schools—now by unionized teachers. However, falling productivity and skyrocketing labor costs have been

shaking the credibility of the claims of public benefits; higher levels of unemployment cast doubts as well on the so-called benefits for employees.

What are some of the unforeseen results of this well-meaning effort to equalize the bargaining power of the employee and the corporation?

The thousands of strikes, billions of dollars of lost pay, vicious picket line violence and destruction of property, make a mockery of the “industrial peace” objective.

Current unemployment and the relocation of thousands of employees in heavy industries to other kinds of jobs is directly related to the high labor costs (not only payroll costs but the rigidities of negotiated work rules) and the refusal of union leadership to allow local units to make concessions which might break cer-

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tain "patterns." The fact that some concessions have occurred is evidence of the severity of the economic predicament of the employees and industry. But it is important to understand that in a truly free labor market these wrenching, violent relocations would not occur; transitions would be gradual, nondisruptive.

Given the low level of public trust in unions as revealed in many opinion polls, and the declining union membership through layoffs, decertifications and losses of representation elections, it would seem that a re-evaluation is in order.

Voluntary Action Approved

To guard against misunderstanding, there is *no* suggestion here to eliminate *voluntary* collective bargaining.

Free, voluntary association is surely harmonious with economic freedom—free enterprise, if you will. When not mandated or interfered with by law, peaceful, collective action will serve as a restraint against any employer practices or policies that are excessively punitive or out of step with the realities of the surrounding labor market. It is in every employer's self-interest to hold his most productive employees.

Does compulsory union bargaining for employees *breed conflict*? There is now strong evidence that in many cases it tends to. To under-

stand why, just put yourself in the position of a union agent. Your job and your prestige *depend* on what you can get for the members that they believe they can't get for themselves. So, when an employer is trying to be fair, paying as much or more than competitors, what can you as an agent do? Guess how long you'd last if *you* tried to be fair by telling the members they had a good employer who was doing his best to make their jobs secure.

The hard fact is that to justify your job and your union, you *must* attack the employer. The more wedges you can drive between the employer and the employees the more secure is *your* job.

It is mainly because this built-in conflict is becoming more evident that growing numbers of employees are resorting to the decertification process to rid themselves of this disruption. When business is booming and inflation permits regular increases in compensation and easy movement to other jobs, inner conflicts are much less evident. It is in slack times that it becomes apparent that the self-interest of the union hierarchy has taken precedence over the interests of employees.

This self-evident source of conflict alone is good cause for a re-examination of long accepted bargaining dogma. But, beyond the practical negatives there are other worrisome questions of principle. Space permits

touching on only one—the right to own and control property in a free society. Because of the many prior legalized infringements on this right, it is now rarely defended. But those expedient compromises have taken us far down the road to the socialism (common ownership) envisioned by Karl Marx and also the British Fabian Society which, incidentally, advocated strong unions as a key factor in the breakdown of property rights.

If we accept the idea that we have a right to life, and understand that sustaining life depends on a right to own property, how can we, in principle, favor a law that violates that right? Compulsory collective bargaining demands that the owner of a business “*bargain in good faith*” with a union which can be elected by

a small portion of the employees (only 51 percent of those voting).

Practically, “good faith” is interpreted by the National Labor Relations Board and the courts to mean *making concessions* and, in fact, such concessions, which may not be favored by most employees, can destroy a business. Furthermore, the employees who want to work under conditions agreed to voluntarily are legally deprived of *their* property right which is to contract individually for their work.

Should we be concerned about what has been happening to property rights in this effort to *force* collective bargaining? I think so, and I believe that millions of people in shops and offices are more than ready for a reappraisal. 

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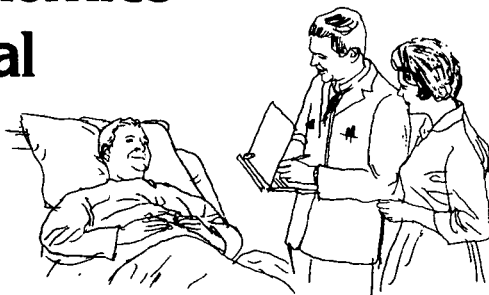
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The Economics of Medical Care



IN voluntary markets, private medicine included, the key knowledge necessary for trade is conveyed by freely fluctuating prices. The price system conveys knowledge of the personal and subjective utilities of the actors, that is, of the supply and demand of various commodities and services, which cannot be compared otherwise. Demand for ordinary medical care in voluntary markets is highly elastic and medical care by physicians is largely optional, except for some categories of life-threatening conditions, few in number and low in incidence, sometimes known as "catastrophic illness." As history shows, medical care in es-

entially voluntary markets tends to be accessible and affordable. Sustained price inflation in medical care is always a result of direct or indirect political intervention. The lately much-touted competition between providers is not the genuine competitive bidding for the satisfaction of the actual consumer of care, the patient, as a free market would have it. On the contrary, this politically created competition will further enhance and centralize the bureaucratic controls on medical care, thus compounding, instead of reducing, the inflationary effects of the multiple and pervasive political interventions already in operation.

The Voluntary Market

This pattern of trade refers to the exchanges that take place between consenting parties, free from coer-

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cion, whence the more familiar term of *free trade*. Mutual advantage for the trading parties follows necessarily, since neither would consent to the exchange if some form of gain were not expected. For free trade to exist, the obvious preliminary condition is that the participants in the exchange be the legitimate owners of the goods and services exchanged, since only the owners can legitimately dispose of property. This is why regulation of trade by other parties than the owners amounts to various degrees of expropriation and involuntary servitude.

Medical care is a type of individual service consisting of skilled assistance to a person's recovery from illness. The essence of this recovery is an inherent process of self-healing which cannot be supplanted, but only *assisted* (or induced, or promoted) by human interventions. The provider of such skilled assistance is usually called a physician, and the receiver a patient. Medical care also includes some types of assistance to manage chronic conditions, some types of disease prevention, and some incidental activities (such as relief of pain). It does not include assistance to terminate life or induce disease, or the conversion of humans into industrial products and major invalids.

Medical care is far from being a high priority in voluntary markets, except on rare occasions. For the

most part and in most individuals it ranks way below nourishment, sanitation, education, entertainment, and so on. Most medical treatments can be deferred for various periods of time, and spontaneous healing often takes place. Lifestyles markedly affect the susceptibility to illness and the ability to heal. Effective help in case of illness can be, and often is, provided by family and friends. One's general practitioner can provide most of the professional medical care for affordable fees, or he can refer the patient to specialists he deems competent and affordable. Further, friends, acquaintances, books and advertisements provide a wealth of both general and specific information about diseases, emergencies, medicines and specialists. Even tentative choices made under pressure or away from home can later be converted into preferred choices.

Let the Customer Choose

Thus, the paternalistic idea that the patient or his family cannot make a proper choice of medical care because they are too ignorant or too worried to explore the market is utterly false and has been promoted by bureaucrats and some physicians for the egregious purpose of portraying themselves as indispensable. It also follows that ordinary medical expenses are not an insurable risk. They are too optional and too afford-

able, while the respective illnesses are too preventable and too subjective to provide an actuarial basis. Insurance for catastrophic medical expenses would be the only viable medical insurance on the free market.

In voluntary markets, the patient's *freedom of choice* is necessarily complemented by the providers' *freedom to compete*. Thus, the patient obtains the best medical care that he is able and willing to pay for and medical fees, as well as the medical technology prices, tend to drop overall.

Yet, lower prices are not necessarily the winners in the free market. For one thing, medical services are seldom comparable between practitioners, because of differences of training, experience, manner, skill, judgment, reliability, discretion, and the like. For another, idiosyncratic intangibles, such as a familiar waiting room and set of fellow patients, a distant office picked for its closeness to a shopping mall or to the children's home, an attraction for the specific psychopathology of the physician or the staff, often can and do make the patient choose the apparently more expensive alternative, which is, however, a very different product from the impersonal manipulations which bear the same name in the "Emergency Room" next door.

There is little doubt that banning competition or success in the mar-

ketplace makes for a hampered, non-free market condition. But the reverse is not true; that is, competition (especially if imposed) does not necessarily lead to a free market. Gladiators, who were slaves for the most part, used to compete fiercely for victory in combat sports. And many of us compete just as fiercely for government handouts. Neither of these types of competition has led to free markets, but the difference is, of course, in the fact that victorious gladiators were freed every now and then, while those of us who win the handouts wind up with even more government controls.

In a monetary economy, advanced specialization of labor and rapid accumulation of capital become possible if prices fluctuate freely, to reflect the otherwise immeasurable utilities of the myriads of actors in the market. Contrived price stability, such as wage and price control, is the deadly enemy of the essential tool of the free market, the *economic calculation*. *Capitalism* is the nickname of freedom in the marketplace, because it leads to capital formation and growth, which means less labor and more leisure, capital goods of increasingly higher order, consumer goods of increasing newness, variety and abundance.

Capitalism is thus the market arrangement which provides for the honest channeling of the *profit motive*, the motive of acquiring better

value than the value given up in exchange. While still in good health, private medicine was a superb illustration of the success of capitalism. In medicine, even more than in any other areas of human action, any third party is profoundly unable to guess the utility of any service to the actual recipient, or the costs incurred (in terms of forgone opportunities) by those who pay the bill. The bureaucrat learns nothing from the diagnostic and procedure codes, because they cannot communicate the very thing they are supposed to: the value of the medical service rendered.

Involuntary Markets

Markets are hampered if the market actors are prevented, through the use or threat of *physical force*, from acting according to their own trade decisions, or if the information on which they have to base such decisions is deliberately scrambled, through various forms of *fraud*, by some other people who, thereby, acquire property or use of at least a part of what the first group *involuntarily* gives up. Those in the first group are the *victims* of the *invaders* from the second group. In involuntary markets many people switch back and forth between these two roles.

From the standpoint of the natural law, invasion is unjust and injustice is criminal. Either the property of

the victim or its use, including the possible irreversible use, is seized by the criminal, for his own or his friends' benefit. The harmony, coherence and efficiency of the voluntary exchange are disrupted and replaced by conflict, fragmentation and waste.

Private criminals hamper the markets illegally. But governments can pass laws to protect themselves and their friends from criminal and civil liabilities, whenever they resort to force or fraud to interfere with the free market. As they exceed their only legitimate function, that of defending the natural rights of the individual, governments have to resort to force, fraud, and an expanding body of statutes to make such actions legal.

Socialist and communist governments expropriate their subjects outright. The more insidious *Welfare State*, a pseudo-democratic version of older forms of *paternalistic despotism*, obtains the same end result through *regulation*, *subsidies*, *inflation* and *taxation*. And individual freedom is also lost in the process. All areas of economic activity are affected this way, sooner or later, but in this century *medicine* has been the archstone of the edifice of power of the Almighty State, behind curtains of iron and behind curtains of deception alike.

In what follows here, only those government interventions will be

examined in some detail which have more importantly contributed to the spiraling medical expenditures, while others will be mentioned only briefly.

Monopolies

Monopolies are grants of exclusive privilege to engage in certain economic activities, given to individuals or groups by the political power. This means that entry into the respective field of activity is prevented or made difficult by using force. The simplest procedure is to eliminate the violators and confiscate their property outright, but modern institutions are more refined.

In the case of *medical licensure*, there is a first component, ideological, designed to deceive the public into believing that licensure is operated to protect the consumer, the patient. The second component is an exclusive, expensive and time-consuming training, wherein painstaking efforts are made to inculcate in the trainee a sense of obedience, and even devotion, toward the "profession." The third component is the bureaucratic ritual of getting licensed, quite expensive when the tedious tests which precede it and the unnecessary repeat registrations which follow it are considered. Delicensure is used occasionally against the more bothersome political opponents in the profession, but only exceptionally against incom-

petent physicians. The fourth component is the actual use of force against those who practice without a license: criminal penalties, including prison terms, are provided for the violators, but are seldom necessary, given the ideological processing of the minds—"brainwashing"—both within and without the profession. Indeed, as shown in the previous section, the free market can provide all the information the patient requires to purchase medical care, through directories, advertisements, referrals, word of mouth and the price system.

The sole purpose of licensure is to prevent the emergence of uncontrolled competition. The privileged elite can thus charge premium fees, the so-called *monopoly prices*. While these fees do not necessarily maximize the receipts of the individual physician, they do maximize the receipts of the profession as a whole over the long run, which is why price-cutting doctors are often ostracized or otherwise punished by their colleagues.

A second major impediment to a free market in medicine is the enormous edifice of *government subsidies*. The best known, though not usually thought of as a means of subsidizing the medical profession, is the National Institutes of Health. This name is brilliantly deceptive, because health is not at all what this huge bureaucracy usually pro-

duces. Its main products are a horrendously *expensive technology*—which serves the interests of the medical and political establishments—and a coherent body of *theoretical and methodological dogma*—which makes competition by rival schools of thought extremely difficult and even very unlikely. This major mechanism is closely coordinated with the system of government grants to the academic establishment represented by the faculties of “approved” medical schools, further complemented by grants to various medical care facilities (hospitals, clinics, HMO’s) and to the patients themselves (through *Medicare, Medicaid, Veterans’ Benefits*), which create the “market” required by the expensive technology and methods of practice.

Incentives for Patients

The third major impediment to a free medical market has been the political creation of incentives for the patients to buy large amounts of medical care and for the physicians to push the expensive kind. Both of these mechanisms are brought into play through one of the most fiendish tricks yet invented by the insurance industry in collusion with the government: the *employee benefits*. This, of course, is a system of harnessing the healthier employees and the employers to subsidize the not-so-healthy employees, as well as

those who have a proclivity to abuse handouts of any kind, whether they are called “health care” or not. Enticed by apparent tax advantages, the employees are simply herded into huge populations of captive customers for the insurance industry. Moreover, they are virtually never offered the option of taking cash instead of these benefits, that is, the possibility to opt out of the system and shop for sickness insurance in the open market. In a free market, lower prices, catastrophic insurance and private charity would insure adequate access to medical care even for the improvident, although the current system of expectations and incentives might make the return to free market behaviors very difficult for a while.

The mechanism by which even the least abusive patient’s incentives are perverted is widely known as “*first dollar coverage*” and consists of insurance coverage for all sorts of minor expenses for even the most optional kinds of medical care, with only token amounts of deductible expenses. Thus, it is not surprising that in some metropolitan areas sex therapy with surrogates has been advertised as covered by “health insurance.”

The mechanism by which the physician’s incentives are perverted, again through the “health insurance” schemes, consists of the *more favorable coverage and preferential*

compensation of highly technical and expensive methods of diagnosis and treatment, complementing the system of institutional grants and coupled with the virtual exclusion of the patient from the transaction through the so-called *assignment of benefits* to the physician. In the process, the insurance carrier (or some agent it hires) undertakes to establish allowable fees for standardized and codified diagnoses and procedures. This is the inception of *rationing* and of the *bureaucratic control of quality* in medical care. Naturally, detailed information about the patient, both medical and non-medical, has to be made available to the payer of benefits. The *confidentiality* of the consultation and treatment, the hallmark of Hippocratic ethic, is *thereby compromised*. Thus, private medical care has been replaced by impersonal procedures and a system of surveillance even before the government takes over nominally.

Other Ideological and Legislative Interventions

The escalating operation of the types of government intervention described has been facilitated by a plethora of other ideological and legislative interventions, such as:

- promotion of the concept that "health care" is a human right;
- tax policies, mostly within the frame provided by the income tax system;

- creation and expansion of various public medical facilities;
- massive regulation of medical care, especially in institutional settings, which, like taxation, is a form of expropriation of the private sector;
- protection of the inefficient and punishment of the successful enterprises through the arbitrary application of the body of vague statutes and incoherent court decisions known as the "antitrust law";
- the exemption of the "business of insurance" from the antitrust law;
- massive inflation of the money supply, often through deficit-spending, gargantuan bond issues and loan guarantees.

This is an enormously complex system of fraud and waste, which serves various special interests by using the police powers of the government, especially its regulatory and fiscal powers. Some of the participants in the scheme use it deliberately for their predatory purposes. Others contribute to the operation without grasping its meaning, dedicating themselves to the avowed humanitarian goals. In a somewhat different context, V. I. Lenin referred to such unfortunates as "useful idiots." A third category of contributors consists of those who have some vague notion of the wrong they commit and who engage in contemptible attempts to demonstrate that it is not their fault, or that it

could not be avoided, or that it is right, or that they are not actually doing what they are doing. There are many semi-literate artisans in this category, among them quite a few dedicated and competent physicians. The isolated rebel is barely worth a mention here, as he is either destroyed or converted to one of the three categories in good standing. As to the dupe, we all take turns at playing that role, full-time or part-time.

The humanitarian guise of medical care and, even more so, "health care," is an excellent opportunity for the politician to obtain votes and for the bureaucrat to increase his power by deficit-spending in high gear, while bestowing favors to sundry friends along the way. The role played by *Medicare* and other Federal medical programs in the growth of the Federal budget, even though only partially known or acknowledged, is staggering. Furthermore, numerous areas of government intervention—such as occupational safety, clean air, food and drug safety—are health-related.

At Taxpayer Expense

These multiple interventions in the marketplace are ultimately supported by the taxpayers, by the people on fixed incomes and, more dangerously and increasingly so, by eroding the capital base of the economy, that is, the savings-investment

portion of the national income. The economic decline is further accelerated by the commitment our government has demonstrated to various international giveaways. When hyper-stagflation will, eventually, take a definitive and deadly hold of the economy, the federal government will—messianically and presumably at our request, as expressed, for example, in the declaration of a *state of emergency* by the President—have to assume total control of the dwindling rubble and mandate the general and immediate pursuit of happiness . . . or else!

But individual liberty can be lost much earlier by regulations allegedly aimed at protecting people's life and health. On the one hand, the economic intricacies of medical care extend deeply into the most varied industries, with insurance and pharmaceuticals as the most obvious examples. On the other hand, once the individual health becomes a matter of "public interest," nothing that could even remotely affect it could escape the jurisdiction of the sovereign. Clean air requirements and mandatory safety belts have been only timid inroads. "You ain't seen nothin' yet!" But rejoice! All requirements will most certainly have to serve the dignity of human life, as defined by the best government experts, naturally. If, say, the Department of Health and Human Services will continually monitor your bio-

logical functions—quite remotely and privately, of course—you can rest assured that not only the public interest will be served, but your best interests also, even if you may happen not to fully grasp this now.

The Freaks

Since the price exacted by the interventions of the government in the market is huge, both in monetary terms and in terms of costs which include personal freedoms still very dear to many of us, it would stand to reason to ask the government to back out of our pockets, businesses and private lives. They would if we asked. Some of our Representatives and Senators still respond to the opinions expressed by their constituencies, even though decreasingly so. The others can be formally ordered to obey, or they can be recalled. But instead, we continue to delude ourselves that we can pull it through by making the next guy bear the brunt of the "sacrifice," although it should be clear by now that we are all to be sheared, unless we manage to shake off the yoke of big government and our predatory habits together.

A rather strange instance of letting ourselves be mesmerized into delusional thinking is the recent fad for "competitive new forms of medical care" (such as PPO's, PPI's, HMO's, etc.). Their competitiveness consists of their ability to secure, or take advantage of, favorable legislative treatment, government grants, tax exemptions and reserved markets—that is, *captive patient populations*—in exchange for their higher compliance with the rules of the sovereign or his surrogates, in particular with the *procedures-surveillance* approach to medical care.

These freak entities—*bureaucratic medicine cloaked in free market pretenses*—have absolutely nothing to do with voluntary markets, or with any genuine competitive bidding for better patient care. Presenting them as free market phenomena is an out-and-out fraud; or the expression of a delusion, at best. They are a death trap, for physicians and patients alike, the death of individuality, freedom and medical professionalism. To rejoice in joining them is like rejoicing in entering the gas chamber because they are playing your favorite tune. 

Nationalized Health Service

IDEAS ON



LIBERTY

IT TAKES SOME TIME to undermine a good medical system and particularly to destroy the long-established traditions of trust between doctor and patient which the older British doctors remember. Nevertheless, the British National Health Service is doing both.

GEORGE WINDER, 1962

Kenneth McDonald

For Work of Comparable Worth

In the State of Washington, the American Federation of State, County and Municipal Employees got a court ruling that requires the state to pay the same wage to men and women for work of "comparable worth."

In an interview, (*US News & World Report*, December 24, 1984) the president of the union said that "the state used want ads that said 'male only apply' or 'female only apply'. Women could apply for jobs such as food service worker and laundry aide, which paid less than jobs for men such as plumber and truck-driver. . . . We're talking about jobs that are not exactly the same but are of equal worth to the employer."

Comparable worth rulings have followed in Minnesota, Iowa and a

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number of American cities. In Canada the Ontario Federation of Labor is pressing the provincial government to legislate equal pay for work of equal value.

At issue is the principle of equality before the law. When it treats people equally, the law takes no account of the differences that distinguish them, only of the way they conduct themselves. All who obey the law are at liberty. All who break it have the right to equal treatment. All are different, but all are treated alike.

People recognize the principle in their business dealings. It is commonly accepted that people who do the same job should be paid the same wage. The wage is determined by what the completed work is worth to the entity that contracted for it to be done.

To insist that jobs be done by men would be as injurious to the principle as to restrict jobs to women. At a time when the nature of work in industrialized countries is changing rapidly, any move that hinders the freedom of men and women to compete for jobs can only weaken the common effort.

Men and women are more likely to put their talents to good use in work of their choice than if they are coerced into taking particular work. The community gains accordingly. When they are coerced into taking other work, in which their talents are wasted, the community loses. It

loses more than the value of the work they might have performed. It loses freedom.

The fact that everyone is different denies that any one can be equal to any other. It is equality before the law that constitutes their freedom to use the qualities that distinguish them.

Those qualities are displayed through the differences in material success or failure that result from their possessors' freedom to exercise the qualities. But material success or failure is not the sole measure of a person's worth, only of particular talents or skills. Measuring another's worth as a human being (as distinct from value in the performance of a job) is beyond human competence.

Nevertheless attempts are made, through the coercive power of the state, to change the material outcome of people's differences. The state and its agencies attempt to redistribute income in accordance with political theorists' notions of equity. At once we have left equality before the law, in which different people are treated alike, and admitted that their differences entitle them to be treated differently.

Thus the State of Washington must now concern itself not with what a particular job is worth but with who does it. If it is done by a woman, she must be paid the same as a man who does a different job. The principle is

not equal pay for equal work, but equal pay for different work.

Assessing the comparable worth of the two jobs is as much a matter of opinion as assessing the comparable worth of the man and woman who do them. It interferes with the freedom of both people to tackle either job.

Equal pay for equal work needs no defense except against the misuse of words. Equity is fairness. Equal pay for equal work is fair because everyone sees it to be fair. Equal pay for work of equal value is fair only in the minds of the people who make the assessment. Yet it has come to be called "pay equity." If it were called "worth equity" the fallacy would be apparent.

It is no accident that the first applications of comparable worth were in government jobs. Because it is accountable to the public, the civil service naturally looks to paper qualifications and standardized tests to determine eligibility for jobs and benefits. Admitting a consultant's opinion of comparable worth may be seen simply as adding one more measurement to an already structured system. But that does not make it right.

Nor would it be right to extend the idea to the private sector. Imposing arbitrary controls would go directly against the engagement of human ingenuity and enterprise that the private sector depends upon for vitality. 

Comparable Worth: Social Justice or Social Transfer?

ONE of the best ways to cause dissension in the workplace is to let everyone know what everyone else is being paid. One employee who carries a heavier-than-average load sees another worker, whose job entails seemingly less responsibility, receive higher pay. The wage structure in that particular workplace, the first employee reasons, is patently unfair and unjust.

On a larger scale, people who work in one sector of the economy may believe they are unfairly being paid less than workers in another economic sector. For example, schoolteachers make less than autoworkers; librarians are paid less than crane operators; nurses make less than doctors, and almost everyone makes less than the best-paid professional (and quasi-amateur) athletes.

On this issue, there is no question that resentment exists. When I

taught school a few years ago, one teacher who was a militant member of the teachers' union told me that only socialism could guarantee justice in the workplace; the present system, he noted, paid him far less than he deserved.

"Autoworkers only build cars," he complained, "But we (teachers) build people. Yet, we get only half of what an autoworker receives."

One can dispute his logic, but there is no denying the resentment and the envy is there and is alive and just waiting to be placed into a broad scheme of public policy. That policy, of course, is called *Comparable Worth*, and it promises to be the pay issue of the next few years. It is the purpose of this paper to examine the claims of both comparable worth proponents and opponents and to see if this concept can survive rigorous economic analysis.

For an economic concept that would prove to be as complex as comparable worth, the driving idea be-

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hind it is naively simple: what the ancients called the "justum pretium," or, in today's words, the "just price." That is, "economic justice," not the market should be the focus of determination of what a wage should be. Those who "deserve" high wages will receive them and those who do not will find their pay commensurate with their social worth.

A librarian, for example, may have both an undergraduate and graduate degree in his or her field but make far less than a truck driver who dropped out of high school when he was sixteen. A college professor, who, most likely, had to suffer through the pain of rigorous Ph.D. studies may find himself on a lower pay scale than one of his former students who failed to finish college but turned out to be a top-notch salesperson.

These inequities, declare comparable worth proponents, will be a relic of the past when their ideal legislation passes a vote of Congress. The new pay law will insure, so they say, true justice in the workplace with each worker receiving economic benefits that are due him or her.

Target Areas

For the most part, jobs that are targeted by comparable worth advocates are presently dominated by women. Thus, proponents claim, such legislation would really be an

anti-sex discrimination, for the differential in pay among different occupations is due more to sex bias than to anything else. Appeals to the market are simply met with the response that if the market is "unfair," then criteria other than market criteria must be used when worker pay is at stake.

The proposed set of laws, then, would mandate that pay be determined for *every* occupation by government edict put out by bureaucrats who would determine what each job's social worth may be and what compensation should be given it. Therefore, the librarian may be judged more important to society than, say, a truck driver with pay scales set accordingly. Likewise, a schoolteacher might finally find himself or herself with a salary that exceeds that of the autoworker. The comparisons are endless as are the possibilities for "remaking" the economy.

In examining the feasibility, practicality and, yes, justice of such a scheme, we must ask the question: "Is this practical?" While feminists and other ideological purists may decry the use of the term "practical," one must remember that a government which attempts to force upon its citizens changes that cannot possibly be made or administered is practicing the worst kind of tyranny and injustice. Therefore, the real possibilities of actually implement-

ing a successful comparable worth wage plan must be taken into account as seriously as one might consider any ideological questions. The two of them cannot be separated, for reality is the ultimate test of ideology.

At the present time, a Federal judge has ruled that the State of Washington must come up with a comparable worth plan to "redress past discrimination" by raising pay scales in state occupations in which women hold a majority of positions. Other states and municipalities are also looking into comparable worth pay plans. However, the most pertinent question in this matter deals with whether or not such a pay plan could be imposed upon all U.S. employers, public or private, as a whole.

Addressing this issue requires first that we look into what constitutes a wage and how wages are set in the marketplace. After examining the basics of pay, this paper will then examine the feasibility of establishing a grand comparable worth plan in this country as well as look at the implications of the plan. And, finally, this paper will look at who would really benefit from the comparable worth proposal.

How Wages Are Determined

Contrary to popular belief, an employer does not set a wage; rather, the pay a person receives for his or her work is set by the consumer of

that product or service rendered by that person. Pay is not a function of what it costs a person to prepare for the position he or she holds; instead, it is a function of the value consumers place upon the marginal productivity of that job. Writes economist Hans Sennholz:

Consumers, who are the ultimate directors of the production process, attach value to labor services. They judge labor like any other factor of production, by the improvement it adds to their well-being . . . a worker's productivity is determined by the value consumers attach to his services and achievements. Employees, employers and capitalists all are subject to the whims and wishes of consumers who wish to be served at the lowest possible price.¹

Some of the evaluation of labor made by consumers is explicit and some implicit. For example, we may value a certain doctor's services because he has successfully treated many of our illnesses. We meet the doctor face-to-face and we see direct results. On the other hand, we cannot directly judge the performance of one particular worker on an assembly line (unless his work is exceptionally shoddy or exceptionally good). We can, however, judge the finished product which that worker had a hand in creating, and the value we place on that product will determine, indirectly, the value we place on his job.

This point is a vital one in labor

economics, yet it is often lost in the economists' maze of graphs, charts and mathematical equations. The market, which is directed by the spending habits of consumers, ultimately directs the labor process from hiring to wage paying. Employers are not autonomous beings in this matter, as some market critics have said. Rather, they are ultimately directed by consumers.

Of course, this does not mean that employers always listen to consumers. Indeed, the economic graveyards are full of the corpses of businesses past whose owners either failed to listen to the market or could not make the necessary adjustments to stay profitable. The point here is that ultimately the consumers' voices will be heard and business owners must either listen or cease doing business.

While consumers will ultimately decide whether or not a business will exist and who will be paid what, other factors play an important role as well. For example, one must ask whether the enterprise is *capital* or *labor* intensive. For obvious reasons, a capital intensive enterprise will pay higher wages than a labor intensive one. A large machine will simply turn out more products than someone working by hand. A steelworker, unionized or non-unionized, works with large, productive, multi-million-dollar tools; a garment worker, on the other hand, works

with a single sewing machine. The sheer output of the two different workers spells out why the steelworker is better-paid than the garment worker.

And, finally, there is the question of how the right job is matched with the right worker. In order for employment to occur, both employer and employee *must agree* on all conditions, including working hours, pay and job environment. Comparable worth proponents, of course, disagree with that statement, as do others who feel that government must intervene into the labor market. And, they point out, many workers are understandably unhappy with their jobs and wages. But being unhappy does not undercut the fact that each worker chooses his or her occupation and in so choosing also accepts the pay and environment that comes with it. (We are assuming a labor market determined in a market-oriented society as opposed to a socialist one in which government chooses occupations for its citizens.)

The Worker for the Job

Choosing a particular job at a particular place does not necessarily mean that one always *likes* what he or she has chosen. All of us want to be paid more; likewise, each person seeks the maximum fulfillment and benefits from his job. What is at issue, however, is the present occupation versus the current alterna-

tives. One may be unhappy in his job, but he would be even unhappier elsewhere. Thus, a teacher may complain about the higher pay received by an automobile worker, but he chooses not to be an autoworker and receive that paycheck. For him, the *opportunity cost* of being an autoworker as opposed to being a teacher is too high.

Despite the language of labor union officials and the Clayton Anti-Trust Act, labor services are commodities with price determined by supply and demand.² And just as government intervention into commodities markets has caused distortions and misallocations, so, too, does intervention cause problems in the labor market.³ Unemployment caused by excessive minimum wages has been well-documented, especially among youth and minority workers.⁴ Yet, the problems caused by the current minimum wage law would be miniscule compared to the dislocations that would invariably be caused by comparable worth legislation. In this next section we will examine the reasons for this claim.

Sex and Wage Differences

As has been already shown, wage rates are a function of consumer demand, labor supply and opportunity cost. These factors play the major role in determining pay for both men and women in all occupations. One then asks: Why, on the whole, do

women receive less pay than men, often for the same jobs? Which leads to the second, and more pertinent (for this paper) question: Why do some occupations, especially those dominated by women, pay less than other occupations, especially those dominated by males?

For many years feminists have sported buttons with 59¢ painted on them, the figure representing the pay women receive to each dollar earned by their male counterparts. (That number is obsolete. A recent Rand Corporation study shows that the percentage has risen to more than 64 percent and that 20–24 year-old women earn about 90 percent of what men in that age bracket earn.⁵) The button, they say, is proof that women are the subject of extreme discrimination in the workplace.

Yet the feminists' argument fails to account for the opportunity cost of hiring male labor. Write Alchian and Allen: "... if it (pay differential) were prejudice, whose prejudice is it? Why would male employers forsake the profits that could be achieved by hiring equally productive women at lower wages?"⁶ In other words, if the feminists' argument were true, then employers would be foolishly saddling themselves with excess costs by hiring the more expensive male workers. And to further complicate the situation, it has also been statistically shown that "women in their thirties during the 1970s who

have worked continuously since high school or college earned slightly more than single men.”⁷

In sum, according to Alchian and Allen:

... the basic factors explaining female-male differentials appear to be the effects of the female's childbearing productivity and work in the household on her work experience—not employer prejudice and discrimination.⁸

Economist Thomas Sowell, using the same information, concludes:

Married women don't do nearly as well in most occupations for reasons that are obvious to anyone familiar with the responsibilities of wives and mothers. Married men do better in their careers than single men or single women for reasons that are equally obvious to anyone familiar with how much of their personal and social needs and responsibilities are taken care of by their wives.

For the same reason that a married woman can put less time into her career than a single woman, a married man can put more time into his career than a single man, relying on his wife to take care of everything from sex to socks. Whatever the merits or demerits of the present division of domestic responsibilities, it is not employer discrimination on the job.⁹

Full Time vs. Part Time

Sowell goes on to point out that much of the wage differential between men and women comes between married men who work full-time and part-time female workers or women newly divorced or wid-

owed who are entering the job market following a long absence from working.¹⁰ He writes:

Obviously, a woman in her thirties or forties who has been a housewife for a decade or two cannot re-enter the labor market, after her husband is gone, at the same level as a man who has been working full time all the years she was taking care of a home and children.¹¹

While this information is valuable in helping determine why the “average” woman makes less than the “average” man, it only explains in part why many female-dominated occupations seem to be at a lower wage scale than the male-dominated ones. To further explain this differential, we must go back in history.

Before the advent of the modern economy, women labored in the fields alongside the men (this can still be seen in Third World countries as well as communist-dominated agrarian societies such as China). The early factory system brought men, women and children from the farms to the mills, and, in the first days of the Industrial Revolution, it was not unusual to see entire families on the factory floors.¹²

As capital became more sophisticated and more abundant, the need for factory labor began to subside (which helped lead into the service-oriented economy), at least as a percentage of the entire work force. As real wages rose, many women were

able to stay at home while their husbands worked, thus easing much of the burden placed upon them by having to take care of household chores, raising children *and* working at a full-time job.

Following the Second World War—which served as an employment catalyst because it opened large segments of the labor force to women—the number of married women working as a percentage of the female labor force began to rise. At the same time, women's pay relative to that of men began to fall, reversing a pre-war trend.¹³ But by the late 1960s and early 1970s, both ratios began to reverse themselves and it is assumed that female pay will continue to rise.

The point here is that female pay has fluctuated as a result of social

changes, not discrimination. It is safe to assume that whatever employer discrimination against females has existed was stronger before World War II than after (the same can be said for racial prejudice as well), yet female pay as a percentage of male pay fell for nearly 20 years following the war. And before the feminist movement and accompanying “affirmative action” legislation gained real influence in this country, women's pay began to rise again.

Nor is women's pay the only dynamic aspect of female employment. While some job categories remain dominated by women, other employment areas that were once a male bastion are presently seeing an influx of women. The following table demonstrates this statement:

Percent of Women in Various Occupations¹⁴

Occupation	1960	1972	1982
Accountant	16.8	21.7	38.6
Authors/Writers	34.8	31.7	42.9
College Professors/Administrative	21.8	28.0	35.4
Cooks	63.8	69.8	65.7
Computer Specialists	N.A.	16.8	28.5
Engineers	N.A.	0.8	5.7
Bookkeepers	83.6	87.9	91.8
Insurance and Real Estate Agents	14.6	22.7	37.1
Lawyers and Judges	3.7	3.8	15.4
Medical/Dental Technicians	62.4	69.5	72.9
Registered Nurses	N.A.	97.6	95.6
Physicians/Surgeons	6.9	12.7	23.8
Salaried Managers	13.2	17.6	28.0
Social Scientists	24.6	21.3	38.0

As one can clearly see from this table, the work world is rapidly and decisively changing, at least in the relationship of women and their careers. But the problem with comparable worth legislation is that it ignores this rapid change. Instead, proponents want to somehow freeze the employment world in its present state, an action that would not only be unjust to those who have not yet begun their careers, but would also be impossible to implement save changing our entire social order, an event not likely to occur. Indeed, the implementation of comparable worth legislation would serve to relegate women to traditional roles and deny them the opportunities to move into employment fields that were once almost totally dominated by males.

The reason for this strong charge is that an attempt to base worker pay according to both sex and occupation would require far more occupational stability than the present system allows. At the same time, new job categories would simply have to either be forbidden or face the same kind of Federal scrutiny that now is applied to new drugs and health aids. In other words, our economy's dynamic growth would disappear, being replaced by the stagnation that now characterizes the socialist bloc nations.

Anyone who has lived for more than a decade can easily see that job

categories do not last forever. Refrigerators made the iceman obsolete in the 1930s and 1940s, and the new high-tech era now upon us has overhauled job categories with a vengeance never seen before. Positions that until a few years ago didn't even exist are now heavily sought after by capable and bright persons. And jobs that were a mainstay in our economy a decade ago are only memories.

Comparable worth legislation would also be the most anticonsumer set of laws ever passed because it would delegate to government the choices that now rest with consumers. As we have pointed out earlier, jobs and their pay are ultimately decided by the millions of votes cast in the marketplace. At its very best, government can only move after the fact, and by the time the legislative process had solidified its hold upon the economy, consumer preferences would have already directed massive changes which the new government directives could not control.

As Ludwig von Mises and Friedrich A. Hayek have pointed out in their numerous volumes, government simply does not have the resources to keep up with the vast amounts of change generated by the private sector. The only way for government to handle such change, then, is to make it illegal and banish the private sector to an underground existence. But such action, as the

people forced to live in communist/socialist dominated nations have learned, extracts a dreadful cost, especially from the middle class and those in lower-income brackets working their way upward. An unchanged economy is a stagnant one, and a stagnant economy offers neither the wealth nor the freedom that people can find in a vibrant, dynamic, unshackled one.

Thus, comparable worth proponents might find, if their pet legislation were to be implemented *and* enforced, that they might win the battle but lose the war. True, the law would mandate that their financial positions be improved relative to others, but, in the end, they would ultimately be worse off than before as the economy deteriorates.

Why, one might ask, would people continue to press for a national comparable worth law in the face of such a grim scenario? First, proponents do not believe such a succession of events as described above would happen if such legislation were to be passed. And, short of totalitarian revolution in the United States, they are right. But the point is that a totalitarian revolution is what would be required for comparable worth legislation to truly be effective. Anything less coercive would give the market enough leeway to effectively repeal such an antimarket law, at least in part.

Second, and more important, the

urge to use government as a way to gain at the expense of someone else runs deep among us. And, as Robert McCormick and Robert Tollison have written, the effective role of government in our society is to transfer wealth, and to do it by force.¹⁵ To further understand what comparable worth proponents want, then, we must examine possible wealth transfers that are inherent in their proposals.

Winners and Losers

Who, then, would benefit and who would be hurt? According to comparable pay advocates, the job categories in which workers might benefit would include service-oriented occupations such as teaching, secretarial skills, nursing, bookkeeping and the like as well as others such as librarians. If, by law, pay scales in those occupations were significantly raised, the raises could be financed in a number of ways. First, in the case of positions in government services (and many of the occupational areas under the comparable worth umbrella fall into the government category), taxes could be raised. If tax increases were not a viable option, then government officials could slash the pay rates for other workers, such as public works crews, administrative assistants and/or cut their own pay. One does not have to be particularly politically astute to see the potential prob-

lems that would arise from this option; simply put, people want wealth transferred to, not away from them.

The final option would be to raise the pay of some workers in a particular category—at the expense of other workers in that same field, a practice that is common in unionized industries. Therefore, experienced or entrenched workers would benefit at the expense of employees with less seniority or experience. At the same time, entry-level positions in those areas would become more scarce, thereby depriving persons interested in that field a chance for employment.

This option hardly seems “fair” to those who are not in a position of seniority, but it is the most viable and surely would be the avenue that would be taken by both government and the private sector should such legislation pass. Thus, in the end, comparable worth legislation, which has been designed to help raise the pay and work status of women, would serve to lessen employment opportunities for women, especially those on the lower economic scale. Unskilled or semi-skilled workers would be hurt, and well-educated, politically-connected workers would benefit.

We can see, then, that comparable worth is not really a mechanism that would create social justice but rather is yet another transfer scheme that would serve to help a privileged few

at the expense of the less-privileged many. Its impact would be negative, as has been demonstrated.

The market has been shown to give women far more choice than would be allowed under a system based on coercion. And, as the shift in jobs has shown us in the last 10 years, opportunities for women to work in higher-paying and fulfilling occupations have grown and will continue to grow. Government can best foster that growth by keeping its hands as far from the labor market as possible. 

—FOOTNOTES—

¹Hans F. Sennholz, “The Demand for Labor,” *The Freeman* (February, 1985), p. 84.

²Armen A. Alchian and William R. Allen, *Exchange and Production* (Belmont, California, 1983), p. 307.

³Sennholz, p. 90.

⁴*Ibid.*

⁵Robert W. Poole, Jr., “Working on the Wage Gap,” *Reason* (March, 1985), pp. 18–19.

⁶Alchian and Allen, p. 316.

⁷*Ibid.*

⁸*Ibid.*

⁹Thomas Sowell, *Pink and Brown People* (Stanford, California, 1981), p. 33.

¹⁰*Ibid.*

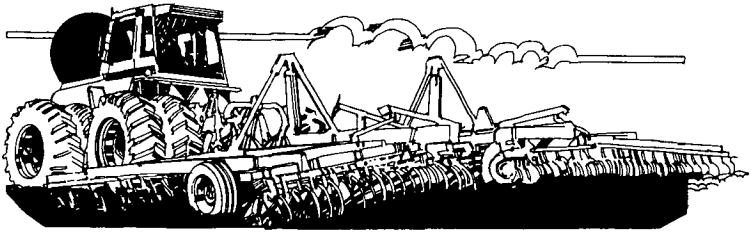
¹¹*Ibid.*, p. 34.

¹²For more on the Industrial Revolution and working conditions, read *Capitalism and the Historians*, edited by F. A. Hayek.

¹³Source: *Statistical Abstract of the United States*.

¹⁴*Ibid.*

¹⁵Robert E. McCormick and Robert D. Tollison, *Politicians, Legislation, and the Economy* (Boston, 1981).



Agricultural Technology, Economic Incentives and World Food Problems

BRITISH Parson Sir Thomas Malthus predicted in 1798 that population increases over time would outstrip increases in food production causing chronic food shortages. In recent years, a neo-Malthusian doctrine has again gained popularity as widespread hunger problems, especially in Ethiopia and other African countries, command front-page headlines. It is ironic that visions of a starving Africa are obscuring a major surge in agricultural productivity throughout much of the world today. Moreover, there is a great deal of evidence that the most serious constraints on food production are not weather or natural resources but

rather government policies that stifle entrepreneurial incentives. This paper presents evidence on rising farm productivity, the importance of economic incentives in agriculture, and implications for world food production and economic development.

Rising Farm Productivity¹

Increases in agricultural technology are resulting in dramatic increases in farm productivity throughout much of the world. In the United States, farmers planted the world's first hybrid wheat in 1984, which increased yields from 25 to 30 percent. Rice growers in the Gulf states planted a new rice variety, which also had yields 25 to 30 percent higher than earlier varieties. At the same time, Taiwanese farmers

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are feeding surplus rice to livestock. Agricultural output is also increasing rapidly in the European Economic Community (E.E.C.). Wheat yields rose 23 percent in the E.E.C. in 1984 and French harvest of field peas has jumped 50 percent in two years.

Contrary to popular impression, world agricultural production is also increasing rapidly in the developing countries. Thailand, Malaysia, Indonesia, and the Philippines have all increased their farm productivity by more than 35 percent in the last decade. The International Rice Research Institute has introduced its Third World rice variety, which requires much less nitrogen and pesticide protection to achieve yields comparable to those of its previous "miracle" rice varieties. Researchers in Peru are making break-throughs in production in the huge Amazon Basin replacing trace minerals that leach rapidly because of the high rainfall. Argentine wheat has become so cheap that grain companies recently considered importing it into the United States.

Agricultural productivity in Asia has been most influenced by the Green Revolution and by a recent dramatic shift in Chinese farm policy. Green Revolution rice varieties have been the biggest single factor in lifting Asian agricultural output by more than 25 percent during the past decade. Yet, potential gains from increases in available technol-

ogy can be choked by policies that stifle entrepreneurial incentives.

Technology Is Not Enough

China provides a classic example both of the effect of collectivist agricultural policies and of what can happen when these policies are changed. In 1958, Chairman Mao decreed "The Year of the Great Leap Forward." Under the "Great Leap Program," large numbers of farm workers were to be diverted to industrial employment and the remaining farm population forced into agricultural communes. The loss in agricultural output caused by these policies was catastrophic. Food supplies fell to famine levels and had not recovered by 1965. Thus, contrary to conventional wisdom, per capita food consumption actually decreased during the Mao years.

China's agricultural output has increased dramatically since the late 1970s when a decision was made to increase farm product prices, scrap the big communal farms, and lease the land back to families and small groups. The privatization moves and the retreat from communism have been accompanied by an increase in food grain output of 12 percent a year for the past seven years despite bad weather in 1980, so that China has overtaken Russia as the world's largest wheat producer.²

A recent article in *The Economist* reveals a general relationship be-

tween market incentives and agricultural production.³ In a cross-country comparison of food production, Africa dominates the list of individual countries whose agriculture has increased the least since 1970. However, the difference between the most and least productive African states is dramatic. Significantly, the study concludes that: "Those which have done best—e.g., Ivory Coast and Malawi—have encouraged private ownership of land, or given peasant farmers security of tenure. The least productive have been those which have encouraged state and collective farms."²

The evidence suggests that property rights and economic incentives are fully as important in less developed as in highly developed economies. This conclusion, however, should not be taken to mean that providing economic incentives will quickly transform a poor country. There is no short-cut to economic development, with or without outside financial aid. (As shown below, financial aid often is counterproductive.)

The solution to economic development in low-income countries lies primarily within the countries themselves. The only long-run solution to food and income problems in any country is to increase through capital formation the productivity of the people involved. When government policies severely distort eco-

nomic incentives and discourage capital formation, it is not surprising that productivity, including agricultural output, is low.

What Can Be Done?

There is evidence that more can be done to increase food production in poor countries. Large increases in output by peasants in India, China, and other countries show that increases in agricultural output do not require big farms, big dams, big irrigation systems or an "agricultural plan." Instead, the most important step is to provide entrepreneurial incentives. This means that poor countries need to scrap those policies that are biased against farmers such as high taxes, price controls on farm products, overvalued exchange rates that depress agricultural exports, and protectionist trade policies that increase the cost of fertilizer and farm machinery.⁵

Developing countries, for example, often have regulations banning the importation of tractors, harvesters, and other mechanically powered farm machinery. Such restrictions are based on the old but persistent myth that machines destroy jobs. This argument carried to its logical conclusion would prevent all substitution of capital for labor and permanently keep workers at a subsistence level.

Another important step, as suggested by the productivity figures

presented above, is to increase the application of science in agricultural production. Per capita food production rose 16 percent in South America and 10 percent in Asia between 1972 and 1982.⁶ This improved performance is due both to improved farming technology and to stronger economic incentives to use it. Many small farmers in developing countries, given an incentive, can now benefit from higher yielding varieties and better pest control.

Africa—No Exception

But what about Africa? In recent months, the world's attention has been riveted on Africa's hunger problems. The food problem in Africa is not due to the lack of natural resources. The problem is that most of Africa has continued to practice its traditional method of cultivation as rising population pressures allow fallow land less and less time to recover its natural fertility. Overgrazing is also encouraged by communal landholding. Public policies rooted in a development model stressing the necessity of central planning and rapid industrialization stifle agricultural production (and economic development in general). Dennis Avery, senior agricultural analyst, U.S. Department of State, presents a vivid example:

The importance of policy is amply demonstrated in the neighboring countries of Kenya and Tanzania. The two nations

have similar agricultural resources and histories—but in the 20 years since independence, they have followed diametrically opposite farm policies. Kenya divided big landholdings among smallholders, then backed the smallholders with price incentives, research and extension programs. Overall farm productivity increased 37 percent from 1971 to 1982. Tanzania forced its scattered family farmers to consolidate into large villages . . . Tanzania's farm output rose only 12 percent in the 11 years from 1971 to 1982—even by the Tanzanian government's highly optimistic numbers. Only massive food aid forestalled widespread hunger in Tanzania even before the recent drought.⁷

Avery contends that even in Africa, technology is now available to double yields and drought-proof its food supplies.⁸ He cites as evidence a new, more drought-resistant sorghum hybrid developed in the Sudan that appears to have the potential to triple yields in much of East Africa. Also available is a new sorghum for the dryer region of the Sahel that apparently can double yields there. In West Africa, there is the potential to become self-sufficient in rice by shifting from upland to swamp rice production. Nigeria has a new corn variety that yielded nine tons per hectare in the midst of last year's drought (the current average yield is one ton). New peanut varieties with yields several times those of current varieties are being tested in Senegal, Mozambique,

Zambia, and Zimbabwe. Improved pest control and new varieties helped bring about a seven-fold increase in yields of cowpeas in West Africa. The fact that available technology has not been more widely applied in Africa is not only a highly visible human tragedy but also an indictment of the government policies of African nations.

Farm Programs in Developed Countries

Agricultural success in the less developed countries is also adversely affected by farm programs in the United States and other highly developed countries that subsidize domestic agricultural output. When domestic prices of farm products are raised above the world price, imports must be restricted to prevent domestic users from buying lower priced imports. As a result of the U.S. sugar price support program, for example, domestic sugar price was four times the world price in late 1984. This import quota system, imposed by the world's biggest sugar market, is highly detrimental to Caribbean sugar producers.

In addition, subsidies, easy credit terms, and reduced interest rates are often used in the United States, the European Economic Community, and other developed countries to increase agricultural exports. Regardless of the type subsidy, producers in the exporting country receive an ar-

tificial advantage at the expense of producers in the countries where the products are "dumped." This dumping of agricultural products in developing countries permits governments to keep the price of food cheap to the detriment of local farmers. Dependence on cheap imports discourages agricultural development and food production. The conclusion is that in assisting developing countries, the United States, the E.E.C., and other highly developed countries should stop subsidizing their own farmers. While government farm programs in the United States are often sold to the public on the basis of helping "feed the world," these programs actually impede economic development and food production in less-developed countries.

Economic Aid

The conventional wisdom for the past generation has been that poor countries cannot develop without financial aid from the highly developed countries. Foreign aid, however, is not indispensable to economic progress. Indeed, P.T. Bauer shows that aid is more likely to obstruct development than to promote it.⁹ Foreign aid reduces incomes in the donor countries and enables the recipient country to follow counterproductive interventionist policies. Aid, for example, enabled Tanzania to pursue economic and social policies that are antithetical to

both economic progress and individual freedom. The effects on farm output of the Tanzanian experiment (which involved forcibly herding millions of people into collectivized villages) were described above.

The Population Problem

Neo-Malthusians frequently cite the population "explosion" as an insurmountable barrier in alleviating world hunger. The prophets of doom typically reach their conclusions on the basis of projecting past trends. However, there is no reason to expect population to continue to increase at the same rate in developing countries as economic development occurs. When income levels rise in developing countries, the birth rate can be expected to decrease.¹⁰ Thus, the relationship between population and food must be considered in the context of economic development. There is no evidence that Draconian population controls (such as compulsory sterilization or abortion) are required for economic development.

Implications and Conclusions

The world is currently undergoing a major increase in agricultural productivity. World agricultural production is at a record high and is increasing rapidly. Agricultural output is increasing rapidly in the developing countries—rising from 2.7 percent per year in the early 1970s to 3.3 percent annually from

1977 to 1982.¹¹ This growth rate would have been even higher if not for the dismal record of agricultural production in Africa.

The famine in Africa emphasizes the urgency of modernizing African agriculture. Fortunately, much of the required technology is presently available. The coupling of technology with economic incentives can increase agricultural output in Africa just as it has in many countries throughout the world.

There is no easy or quick solution to world hunger or economic development. Production of food and other products is limited by available resources, and the only realistic goal in any country is to make the most efficient use of these resources. The only effective way of increasing incomes is to increase capital formation and productivity. Foreign aid is no substitute for voluntary savings by the millions of people living in low-income countries.

Programs and policies affecting physical inputs will have little effect on output in the absence of the proper social and economic climate. Political controls of agriculture and other sectors of the economy inevitably stifle individual initiative, capital accumulation, and productivity. It is no accident that every country that has launched experiments in collectivized agriculture has witnessed a decrease in agricultural productivity. Hong Kong, Singapore,

South Korea and Taiwan are examples of countries that have prospered by shunning collectivist economic policies. The effect of recent limited privatization measures on agricultural output in China provides another dramatic example of the effect of economic incentives.

Increases in agricultural technology present a challenge to highly developed as well as to less developed countries. The temptation by government officials in both cases is to "manage agriculture." In the developed countries, domestic farm product prices are increased above competitive levels by expensive farm programs. Surpluses acquired in the operation of price support programs are often "dumped" in less developed countries. These policies are inimical to food production in less developed countries and to economic progress.

Rising farm productivity throughout the world now holds the promise of undermining these protectionist farm policies. There seems little doubt that farm producers in all countries will face more competition in domestic and foreign markets as currently available technology is adopted more widely. There is no way to determine now what the ultimate effects of these developments on world agriculture will be. We can be confident, however, that a more productive agriculture holds the potential to improve the lot of the world's

hungry people. The challenge to governments in developed and less developed countries then is to abstain from policies that restrict competition and trade. Such restrictions prevent farmers and other workers in all countries from engaging in those activities in which they are most productive. Only through widespread use of decentralized competitive markets can agricultural resources throughout the world be used most productively, yielding maximum benefits to people in all countries. ☐

—FOOTNOTES—

¹The productivity figures cited in this section are from two papers by Dennis T. Avery, Senior Agricultural Analyst, Bureau of Intelligence and Research, U.S. Department of State. "The Dilemma of Rising Farm Productivity" was presented before The Agribusiness Roundtable, September 10, 1984. "The Bad News for Farmers Is That the Global Bad News Is Wrong" was presented before the N.C. Society of Farm Managers and Rural Appraisers, February 28, 1985.

²"Business Brief: In Praise of Peasants," *The Economist*, February 2, 1985, pp. 86-87.

³*Ibid.*, p. 87.

⁴*Ibid.*

⁵"Peasants Rising," *The Economist*, February 2, 1985, pp. 11-12.

⁶Dennis Avery, 1985, *op. cit.*, p. 3.

⁷Dennis Avery, 1984, *op. cit.*, pp. 6-7.

⁸Dennis Avery, 1985, *op. cit.*, p. 4.

⁹P.T. Bauer, *Dissent on Development*, Revised ed. (Cambridge, Mass.: Harvard Univ. Press, 1976), pp. 95-132.

¹⁰Ludwig von Mises, *Human Action* (Chicago: Henry Regnery and Co., 1966), p. 669.

¹¹Dennis Avery, 1985, *op. cit.*, p. 3.

David M. Brown

The Challenge of Liberalism

IN OUR ERA the age-old assault of the state upon the individual has reached its zenith. Through such horrifying manifestations as Nazi Germany and Soviet Russia, the twentieth century has seen the rise of despotic utopias whose power to destroy seems all-encompassing. Meanwhile, the growth of welfare-statism in those polities not yet explicitly totalitarian increasingly restricts the scope of human action even as its advocates proclaim the futility of individual effort. The lone individual unwilling to participate in the game of power and dependency finds his resources and integrity strained to the crumbling point as he seeks the path to independent living.

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In this context, the emerging influence of an individualist movement dedicated to the preservation of individual rights deserves both applause and scrutiny. Among its guiding lights are Ayn Rand and Ludwig von Mises, Friedrich Hayek and Robert Nozick. Whatever their differences, they and their followers agree that the state must shrink, that its intervention in the economic and social realm is disastrous and illegitimate, that the individual must be allowed room to breathe and live. But is their argument against the collectivist philosophy sufficient? And have they made their case for the individual?

The modern libertarian movement has received scant serious attention from writers outside its mainstream, but its swelling ranks—and its intellectual challenge to statist privilege—are hard to ignore. A recent survey, *Liberalism at Wits' End* by Stephen Newman, grapples with the libertarian phenomenon. He concludes that although the libertarian position is timely (if anachronistic), and its critique of state power often valuable, libertarianism at best offers only a partial solution to “the crisis of public authority,” at worst actually betrays liberty.

Given Newman's professed allegiance to concepts like liberty and rights, it's not surprising that his answer to libertarianism rests in part on misconceptions regarding

what those terms imply politically. In traditional collectivist fashion, he contrasts human rights with property rights as if these two were opposite and inimical. The limiting of government to the "night watchman" role of retaliation against the use of force and fraud, in Newman's view, leaves uncountered the autonomy-threatening "tyranny of economic power." In striving to refurbish the Lockean undergirding of the original American republic, the libertarian neglects this economic tyranny in the name of property rights. In brief, libertarianism "calls for the renewal of liberal theory, but it demonstrates liberalism at wits' end."

Liberalism—not today's "liberalism," synonymous with economic interventionism, but the classical liberalism that respects the sovereignty of the individual and the inviolability of his rights—of course upholds the right of private property. But far from implying an abrupt lack of sensitivity to the abuse of power "at the entrance to the market place," the consistent preservation of property rights is the only means of protecting men's lives and achievements both from criminals in general and the government in particular. Such stark limiting of the government's purview does not mean that the individualist is indifferent to nonviolent iniquities which he would forbid the state from acting against. But he disagrees that legal coercion

is an omnipotent and benevolent corrective of social ills, and he comprehends the role of ideas in shaping human events. Error cannot be refuted with a club. The only lastingly influential weapon man has against ignorance and prejudice is his reason.

Since the concept of rights is validated by reference to what man requires in a social context to pursue values successfully, any use of coercion extending beyond that needed to defend the individual from hoodlums and defrauders inevitably undercuts the freedom that best promotes every honest man's struggle. To ignore this must lead to disastrous consequences, such as are evident throughout history.

Respect for the Individual

The liberal philosophy is grounded on a profound respect and sympathy for the individual and an optimistic view of his potential. The liberal sees man as fundamentally efficacious, worthy of the fruits of his achievement, and able to accept responsibility for his own life. This is the vision that must be articulated if liberalism is to be persuasive. If man were the helpless entity some depict him to be, freedom would seem of little practical value, certainly few would be inspired to defend it.

Mr. Newman himself does take summary cognizance of a time and place—the United States before the

turn of the century—when capitalism enabled the general widening of prospects that its admirers laud. “Free-market capitalism . . . served the interests of rich and poor alike by opening the avenue of success to ambition and talent,” he admits. Unfortunately, with the rise of economic concentration, large-scale wage labor, and the End of the Frontier as the nineteenth century drew to a close, it became obvious that “political and economic liberty could no longer guarantee personal autonomy or equal opportunity . . . The changed conditions brought about a new politics and the expansion of state power.”²

No Urge to Compete

This scenario inverts the historical reality. In the free market, no inefficient economic monolith could outlast superior competition and the unchecked exercise of consumer choices. Monopoly power as such, in the sense of prohibiting or burdening participation in the marketplace, was always conferred and enforced by governmental edict. The burgeoning of economic controls in fact *led* to diminished options, not vice versa. The controls were rationalized by collectivist dogma urging the sacrifice of the individual to the group, and supported by people who did not want to stand on their own. The first “antitrust” legislation, the Sherman Antitrust Act, was backed

by cotton farmers whose product was losing competitive ground to jute, while those unwilling to compete against the sugar and petroleum industries also unfurled the antitrust banner.

At the time, the productive output of these trusts was generally rising as prices fell, a trend opposite to what the trustbusters were alleging. The trusts were organized as a means of making large-scale enterprises more economical, but had they attempted to raise prices above the dictates of supply and demand, such a move would have signaled other producers to enter the field.³ The opponents of efficiency and freedom, far from seeking to reclaim their independence and autonomy as Newman argues, were forfeiting them in a quest for unearned gain.

Newman’s critique of the unhampered market obviously rests on something more fundamental than historical fallacy. In reality, the free market system, by releasing human energy to reach its full potential, enriches man’s life and multiplies his opportunities. But Newman doesn’t see it that way. Ignoring the role of personal effort and initiative, he maintains that “in the modern corporate economy . . . the great majority of persons will find their autonomy gravely circumscribed,” inasmuch as they may be obliged to accept unpalatable employment for the sake of physical survival.⁴

How Jobs Develop

The fact that the very existence of a job in the first place depends on some employer's successful productive effort, or that marginal employers (often the very ones ready to challenge corporate complacency) will be progressively forced out of business as controls and taxes grow, has apparently eluded Newman's attention. A free economy is not a static economy. Any worker discontented with his current station in life can save money, learn new skills, and so on in order to rise as high as his talent and energy will take him.

An independent man who knows the value of freedom and who respects the rights of others will not demand handouts and market-outcome "amendments" at the first sign of difficulty. As Ludwig von Mises writes, "If the longed-for success is not forthcoming, if the vicissitudes of fate destroy in the twinkling of an eye what had to be painstakingly built up by years of hard work, then he simply multiplies his exertions. He can look disaster in the eye without despairing."⁵

Liberalism at Wits' End does have merit. Despite some condescension and occasionally creaky scholarship, Newman manages to fairly summarize many common libertarian ideas, while tracing their origins to such radical forefathers as Locke and the American revolutionaries. And he makes relevant criticisms of

such aberrations in the movement as anarchism, subjectivist self-indulgence and Pollyanna expectations. But the heroic ideal that inspires so many individualists is grossly misconceived, and there is no awareness of a psychological literature defending the liberal attitude.

In the end, Stephen Newman's struggle against liberalism is a losing one. Too often, he doesn't anticipate how his numerous, altogether unoriginal objections would be and have been answered by libertarian thinkers. This is especially disturbing since, given the weighty values at stake, not even the sketchiest alternative to an admittedly untenable status quo is provided in the book. Even so, perhaps Newman's arguments against the individualist philosophy are the best that can be presented from a collectivist, "public-interest" perspective. In which case, we might rightly conclude that they represent statism at wits' end.



—FOOTNOTES—

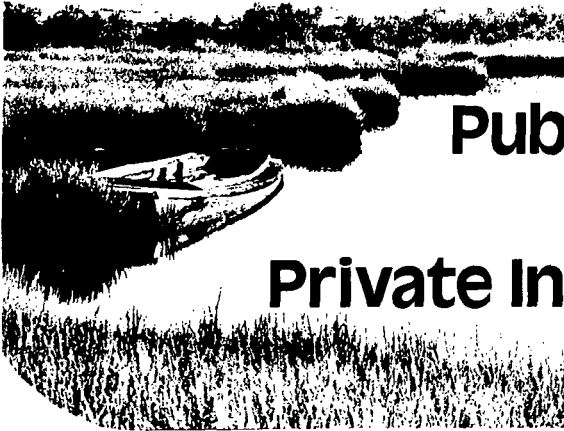
¹ Newman, Stephen L. *Liberalism at Wits' End: The Libertarian Revolt Against the Modern State* (Cornell University Press: Ithaca and London, 1984), p. 11.

²*Ibid.*, p. 16.

³For example, see "Competition (Except Where Prohibited by Law)" by Thomas J. DiLorenzo in the February '85 issue of *Reason* magazine.

⁴Newman, *op. cit.*, p. 46.

⁵Mises, Ludwig Von. *Liberalism: A Socio-Economic Exposition* (Sheed Andrews and McMeel, Inc.), 1978, p. 15.



Public Lands and Private Incentives

OURS is a nation rich in natural splendor. The very same geological forces that created the awesome beauty of America also provided us with a vast reservoir of resources.

The environmental movement has attempted to convince us that government is the only line of defense preventing rapacious developers from attaining the wholesale destruction of our land. Every acre added to the public store, continues this line of reasoning, is an acre saved from bulldozers and oil drills. So it is that one-third of all of the land area of the United States is owned by the federal government.

But the reality is that every parcel

which is fully withdrawn from productivity is enormously costly. The inevitable trade-off that occurs whenever resources are unavailable to commerce is that goods or services that could otherwise be produced are not, thus driving up their prices. While certainly there are real benefits in preserving land, the decision to withdraw lands from production rarely includes a sound evaluation of the opportunity costs. Moreover, where government opts to permit development, it often does so in a manner that is woefully inefficient. Government's very nature as a political entity, immune from private incentives, dictates such inefficiency.

The environmental movement's disdain for private control of land as well as productivity on public lands is based on flawed premises. Private

Mr. Bolick, attorney with the Mountain States Legal Foundation, presented this paper at a conference sponsored by the Political Economy Research Center in Denver. It is published here with their permission.

ownership is *not* irreconcilable with environmental objectives, and is in fact harmonious with efficient, rational use of natural resources. The market provides strong incentives to facilitate multiple uses of property and to avoid waste. And since private profits are derived from satisfying the wants of others, the market encourages responsiveness to public demand.

As the owners of the public lands, it is time we reevaluate these premises. If our goal is conservation—the sound, optimal development of natural resources with due concern for our environment—we must consider whether the public sector is indeed suited to the task. The evidence demonstrates that it is not, and that a rational policy can only be achieved by turning to private alternatives and incentives whenever possible.

Public Lands: The Wealth of a Nation

At latest count, the federal government controls 734 million acres of land. In the Rocky Mountain region, federal lands encompass 86% of the land mass of Nevada, 66% of Utah, 64% of Idaho, and large portions of other states.

Much of the land is rich in natural resources, although it is impossible to determine the full extent of these resources since much of the land is off limits to exploration. It is esti-

mated that the Department of the Interior alone controls 85% of the nation's crude oil reserves, 40% of its natural gas, 80% of its oil shale, and a vast portion of its coal. The agency also controls prime grazing land, which sustains two million head of cattle and 2.3 million sheep and goats.

The established national policy favors multiple use and an accommodation of the various interests which compete for public lands. The Mining and Minerals Policy Act of 1970,¹ for instance, states that it is the "continuing policy of the Federal Government in the national interest to foster and encourage private enterprise in . . . the orderly and economic development of domestic mineral resources, reserves, and reclamation of metals and minerals to help assure satisfaction of industrial, security and environmental needs."

Despite such policies, nearly 70% of the federal lands are unavailable for development or are heavily restricted, designated as wilderness, endangered species habitats, recreation areas, or in other ways that restrain productivity.² Legislation recently passed by Congress will increase by 20–30 million acres the total of designated or actual wilderness land, which already is equal to the area of California, Nevada, and Arizona combined. These enactments remove from reach likely

deposits of oil, gas, gold, silver, zinc, molybdenum, chromium, and platinum.

Given our dependency on foreign supplies of important resources, it is difficult to comprehend any sound reasons underlying the frenzy to lock up domestic resources. Only in a system of government control, removed as it is from practical considerations, could the enormous opportunity costs of completely removing resource-rich land from development be countenanced. Unfortunately, the burden of such an inefficient allocation of benefits and costs is borne by the citizenry itself—the intended beneficiaries of public control.

Public Control: Disincentives to Efficiency

It is not particular policy-makers who are responsible for inefficient decision-making, but rather the public nature of the system itself. The public lands system, along with all government bureaucracies, is burdened by intrinsically inefficient characteristics, such as the following:³

1. The federal lands are “owned” by 220 million Americans. However, few citizens have the time or resources to inform themselves about general policy issues relating to public lands, let alone day-to-day management concerns. Neither can the public reasonably be expected to attempt to influence every such deci-

sion. As a consequence, management decisions are necessarily in the hands of a comparatively few individuals, far removed from the interests of the owners.

2. This results in a critical distinction between the public and private sectors: the separation of authority from responsibility. Whereas the market system allocates costs directly to those making the choices, government decision-makers are largely immunized from the consequences of their decisions. Similarly, government officials are motivated not by the quest for profit—which can be obtained only by satisfying the desires of others—but by political concerns. Efficiency may not be the principal political goal at any particular time.

3. While the wishes of the vast majority of citizens are diluted in the political process, some people do have sufficient direct interest in the outcome of policy and management decisions to invest heavily in influencing those outcomes. Unlike the market system, in which buyers and sellers are responsible for the consequences of their own decisions, the political system can be exploited to allocate costs to one group and benefits to another. For instance, when land is removed from development for recreational or aesthetic purposes, those directly receiving the benefits rarely shoulder the full costs. Instead, their wishes are sub-

sized by taxpayers in general, thus effectuating a "transfer payment" of sorts.

4. Another result of the lack of a profit motive is the absence of a tangible, objective measure of efficiency. Output is frequently substituted for efficiency, as in the five-year-plans of the Soviet Union. This is manifested perhaps most clearly in timber harvesting on public lands. As Baden and Stroup have observed, the Forest Service "systematically supports inefficient timber production. Instead of investing in the nation's resources where the marginal returns are highest, the Forest Service is influenced by political considerations only haphazardly related to site productivity."⁴

5. Bureaucratic inertia is often so entrenched that decision-makers cannot respond to changed conditions. For instance, although the National Forest Management Act of 1976⁵ mandated the creation of a centralized planning process for the national forest system, not a single land management plan was devised after six years, despite \$500 million in annual expenditures for that purpose. In a time of national crisis, the bureaucracy's innate inefficiencies could paralyze its ability to react appropriately.

6. Many policies affect the interests of future generations, but there is no direct political pressure to account for these interests because the

beneficiaries are not born yet, and thus can neither vote nor engage in lobbying efforts.

7. Bureaucrats, like all people, are self-interested. The incentives that promote private investment and development do not exist in public land management. More importantly, the measures of success in government have nothing to do with land productivity. Government officials who get ahead often do so by expanding their land bases. This gives them more power, which is the medium of exchange in government. This type of incentive will always foster bureaucratic growth and the accretion of public lands, regardless of whether such expansions are in the public interest. Any gains in productivity which may result are therefore purely coincidental.

Efficiency Advantages

These are the costs inherent in placing property rights in the hands of government. These problems are exacerbated when public lands are insulated completely from market forces. Again, there are occasions in which the public may prefer such an outcome, but it is indeed misleading to assume that such an option is without enormous costs. And it is also far from certain that such choices always represent the wisest allocation of our precious resources.

The movement to increase public ownership and control of land is

premised upon a misconceived view of the market system as wasteful and self-destructive. This viewpoint erroneously assumes that the private sector has no interest in conservation, whereas the converse is actually true.

As earlier noted, a private owner can derive a profit from land only by satisfying the desires of others. The owner can create a short-term profit by removing all value from the property and selling it as a service or product, but in so doing the owner will have diminished the value of the land itself. The most rational, long-term strategy for a private owner is to preserve or renew the resource to the maximum possible extent, to assign multiple uses wherever feasible, and to develop and carefully maintain the property itself so as to enhance its market value. The Potlatch forests are prime examples of well-preserved, multiple use property in the private sector.

The most significant difference between public and private ownership of land is the commonality of authority and responsibility. Benefits and costs are not severable. Thus, the owner is impelled to seek the optimal use of the property. If a private owner wastes resources or chooses to utilize them in a manner which is not their highest value, the costs cannot be passed along to taxpayers.

There are degrees of ownership interests, and the incentive to waste

the property *decreases* as the degree of ownership *increases*. Consider the case of a homesite within a national park. A person renting the property for a week has little direct interest in preserving the property. In fact, a renter achieves a maximum return on the investment by extracting as much value as possible during the finite rental period. A leaseholder, particularly with an expectation of renewal, or a holder of a life estate, has an incentive to preserve the asset for a much longer period—but also an incentive to remove as much value as possible before the period expires. A person who owns full title to land, however, will realize maximum profit only by preserving and developing the land. Public land management can thus be enhanced by increasing, rather than eliminating, market incentives and by removing decision-making from the political sphere.

Alternatives to the Status Quo

A. Privatization. Presumably the most radical proposal for reform is the privatization of public lands. Such an alternative would simply add to the 2/3 of all real property that is presently owned—and generally well-managed—by private individuals.

Advocates of privatization argue that rational land management can be advanced by assigning the rights to *anyone* in the public sector. Such

an assignment would ultimately attract high-valuing users, with whom the private owners would be free to transact. Baden and Stroup, for example, have suggested that public lands be given to environmental organizations such as the Sierra Club.⁶ In order for such groups to preserve the lands for aesthetic purposes, the property must be self-supporting. For instance, the Rainey Wildlife Sanctuary, a 27,000 acre Louisiana wildlife preserve owned by the Audubon Society, also sustains natural gas wells and private cattle herds. The Nature Conservancy is renowned for its ownership and preservation of lands in multiple use contexts. Similarly, there is no reason why government lands cannot be sold with deed restrictions mandating preservation and public access.

Professor Steve Hanke lists the following benefits of privatization:⁷

- productivity would increase and costs per unit on the land would decrease;
- consumers would be served more efficiently, since property owners would be free to serve them;
- federal revenues would be generated;
- negative and low-yielding government assets would be eliminated;
- state and local tax bases would be enlarged; and
- land use decisions would be depoliticized, and individual freedom and responsibility enhanced.

President Reagan, recognizing the prospects for reducing the national debt through sale of surplus public lands, embarked upon a limited privatization program by issuing Executive Order No. 12348 in 1982. The Order instructed agencies to review real property holdings, improve management, and sell unneeded property.

B. Increased Private Incentives. Private uses of public lands, consistent with the government's stewardship responsibilities, should be expanded. Indeed, the Federal Land Policy and Management Act of 1976 calls for such an approach, but bureaucratic mismanagement has frustrated progress to date. In any event, when such uses are permitted, property rights should be assigned to private users to increase efficiency incentives.

Grazing permits provide a prime example. Under the existing system that allocates permit preferences for public grazing lands to adjacent ranchers, there is little *de facto* distinction between the public and private interests. The permits are transferable along with the base ranches, and are reflected in the value of the ranches for borrowing and sale purposes. As a result, ranchers frequently make sizable private investments on public lands for fencing, pipelines, wells, and so on.⁸

But despite these incidents of pri-

vate ownership, the permits are nonetheless legally treated as mere "privileges," subject to casual revocation or reduction,⁹ often at the whim of local bureaucrats. Indeed, grazing permits are essentially the only significant government benefit to which the rights of due process of law do not attach. The Supreme Court abolished the distinction between rights and privileges in 1970,¹⁰ but procedural protections such as the right to a hearing, to present evidence, and to cross-examine witnesses have not yet been extended to permit holders.

C. Administrative Reform. Reforms that induce public land managers to behave like their private counterparts could marginally improve efficiency. Perhaps the most meaningful reform would be to tie agency budgets to returns from the lands supervised. Requiring bureaucrats to pay their own way to some degree could induce market-sensitive management and the sale of non-revenue-generating properties.

Federal stewardship responsibilities mandate responsiveness to the public interest. Specifically, a balance of important interests, such as resource development, grazing, recreation, and preservation, is required. Unfortunately, it is the nature of bureaucracy that it is more responsive to special rather than general interests.

Conversely, it is market rather than political incentives that lend themselves to fulfilling the long-term interests of the public. Yet the present trend is to remove rather than encourage private incentives. Efficiency will be enhanced in proportion to the degree of market forces allowed to operate. Government itself is an impediment to sound land management. Meaningful reform can be achieved only by limiting government's role and enhancing private property rights. Far from adding to the already vast supply of wilderness lands, we should place in private control those lands best suited to efficient development.

—FOOTNOTES—

⁹30 U.S.C. § 21a.

¹⁰R. Terrill, "Minerals Policy and the Public Lands," in R. Holwill, ed., *Agenda '83* (The Heritage Foundation, 1983), p. 191, 193.

¹¹See R. Stroup and J. Baden, *Natural Resources: Bureaucratic Myths and Environmental Management* (Ballinger Publishing Co., 1983), p. 23-26.

¹²*Ibid.* at 111.

¹³16 U.S.C. § 1600, *et seq.*

¹⁴J. Baden and R. Stroup, "Saving the Wilderness: A Radical Proposal," *Reason*, July 1981, p. 28-36.

¹⁵S. Hanke, "Land Policy," in *Agenda '83* (note 2), p. 181, 181-82.

¹⁶G. Libecap, "Economic Interests of Grazing Permittees," in J. Smits, ed., *Privatizing the Public Lands* (Public Lands Council, 1983), p. 53, 55-57.

¹⁷See 43 U.S.C. § 315a and 16 U.S.C. § 1508, stipulating that permittees acquire no interest or title in federal law.

¹⁸*Goldberg v. Kelly*, 397 U.S. 254 (1970).

GOVERNMENT AND LEGAL PLUNDER

EARLY ON in his book about Bastiat, *Government and Legal Plunder: Bastiat Brought Up to Date* (Foundation for Economic Education, 120 pp., \$4.95, paperback), Dean Russell quotes what he calls "the most damning definition of government ever penned." It is the statement made by Frederic Bastiat to his fellow legislators in France of the 1840s. "The State," said Bastiat, "is the great fiction by which everybody tries to live at the expense of everybody else."

The French of Bastiat's day, of course, failed to comprehend what he was talking about. But in the England of the free traders, Cobden and Bright, he did have a hearing. Bastiat, after all, was blood brother to the Britishers' own John Locke, who laid it down in 1688, the year of the Glorious Revolution, that the State's only legitimate function was to de-

fend the individual's rights to life, liberty and property. Where Locke's compatriots were satisfied to call these the "rights of Englishmen," a phrase that found favor with the American colonists, the universalists, of whom Bastiat was one, deemed them the natural rights of all men.

With great clarity Dean Russell explores Bastiat's sharp distinctions. Life, liberty and property preceded government. The reason for government was to establish laws that would prevent one individual from plundering his neighbors. In a world of nationalisms there were collective aspects to this—armies were necessary to defend borders. But this did not mean that government had the right to push collective action beyond the rules necessary to protect individuals in their natural rights.

Bastiat's colleagues in the 1840s,

who believed in majority rule, made the mistake of confusing legality with morality. It did not follow, said Bastiat, that something became moral just because 51 per cent of the people supported it. We need constitutions to set certain things beyond the pale of the legislative process. Slavery, for example, would not be justified by a majority vote calling for its establishment.

There is an endearing quality in Dean Russell's rueful account of how he has attempted to apply Bastiat's principles to his own life. When he was a student at the Columbia University Graduate School of Journalism, Russell had no answer to those who twitted him about his doubts about majority rule. He had to admit that he believed in democracy. It was not until years later that he found a satisfactory come-back by asking his own question, "Majority rule for what?"

The Broken Window

As a teacher of economics Russell has recited Bastiat's story of the "broken window" to thousands of students. Yes, as Bastiat explained, a broken window in a baker's shop made work for glaziers. But it probably kept the proprietor of the baker's shop from buying a new suit of clothes. The tailor, in turn, lost the chance to buy something. Henry Hazlitt used the broken window fallacy to great effect in his *Economics*

in One Lesson. Dean Russell brought the fallacy home to his students at the University of Wisconsin in La Crosse by taking the State's decision to build a new graduate school of veterinary medicine as an unnecessary expense comparable to the replacement of a window.

Wisconsin had been paying its neighboring state of Minnesota to allow 35 students a year to attend the Minnesota College of Veterinary Medicine. The expense created an "unfavorable balance of trade" between the two states. "Why," so a Wisconsin businessman asked, "not keep the currency in Wisconsin?" Money invested in a local veterinary college would create new jobs. A new school would need a full staff, which would incidentally provide a market for Wisconsin cheese and beer.

Dean Russell gave an "A" to any student who could detect the fallacy in the businessman's idea that money spent across state lines is inevitably a loss. The Minnesotans obviously could use Wisconsin money to buy Wisconsin cheese. But when it came to giving himself an "A" Dean Russell went to the trouble of arguing the whole matter of job-creation with a fellow professor. This professor had counted more than 100,000 new jobs coming from the construction of the veterinary college. Bulldozers and wreckers had to be brought in to knock down old buildings. Trucks had to haul away

the debris. International Harvester and General Motors both profited. When the new construction was completed, the electricians and the plumbers moved in at more than \$50 per hour. Russell had to admit that his fellow professor had made a good case.

But then he went home to contemplate, on his unscreened and mosquito-plagued patio, about his own tax contribution to the building of the veterinary college. As he drank his cheap Brand-X beer he wished he could afford the good beer that some of his vanished tax money might have supplied. His wife came out to mention their shabby furniture and stained drapes. The roof, she said, needed repair. As for Dean Russell himself, he needed a new suit and a decent pair of shoes.

After reviewing the situation Dean Russell decided that the \$6,000 he had paid in taxes to Wisconsin would have gone to create just as many jobs as any \$6,000 allocated to the veterinary college.

Trade Barriers

Russell enjoys bringing Bastiat home in spates of rueful analysis. But there is nothing rueful about the "story examples" used by Bastiat to expose the fallacy of trying to improve the domestic economy by restricting foreign imports. Tariffs always cause higher prices and a

decrease in products and services.

To illustrate the inanity of trade restrictions Dean Russell takes his students to Japan for a look at the "orange situation." The Japanese insist on paying four times as much for their inferior domestic oranges as they would have to pay for California's superior fruit. This information caused students to become angry at Japanese "inscrutability." But Russell turned the anger into somewhat different channels by pointing out that Americans insist on forcing themselves to pay at least 50 per cent more for an American car than the Japanese are willing to charge for a better model. Russell might have mentioned that our refusal to sell the Japanese oil from Alaska, which we could replace with oil from Mexico or elsewhere at savings all around, is just as stupid as the Japanese "inscrutability" about oranges.

Bastiat never heard the word "entitlements." One trembles to think about what he would have to say if he could only be present in Washington in 1985. We have only begun to struggle with the consequences of disregarding his warnings about making legal plunder a way of life for the millions. Dean Russell has done a masterful job in indicating the enormity of the task that faces us in trying to go back to Bastiat.®

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